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Entry Mode Strategies of Advanced Market Economies into Emerging Markets of Sub-Saharan Africa

The example of a power generation MNE.

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Abstract

Since the last decades researchers in the internationalization of firms have mainly focused on internationalization in developed markets and Asian emerging markets. Until recently, less attention has been devoted towards understanding how firms from advanced economies establish themselves in underdeveloped countries. This research gap is the point of departure for this study. Africa is the second largest continent and serves as a potential source of raw materials and natural resources for multinational firms. FDI inflows into Sub-Saharan Africa have also increased considerably in the course of the last decade. However, very few empirical studies have analyzed how advanced market firms enter into Sub-Saharan Africa.

This thesis examines the entry mode strategy of an advanced market firm in Africa. To be precise, the purpose of this thesis is to study the entry mode of a power generation firm in the emerging markets of Sub-Saharan Africa. This is accomplished by gaining understanding of the different entry modes that this firm used as well as the challenges it faced.

The author has conducted did a qualitative single case study with the power generation firm ABB which has a long history of presence in SSA emerging markets.

The theoretical framework in this thesis examines various theories on entry modes. This section analyzes the challenges to doing business in emerging markets of SSA.

Empirical data for this study was collected from four respondents all chosen from the company. This comprised of one respondent from the head office and the other three as country managers. Primary data was obtained through in-depth interviews and secondary data was collected from annual reports and archives of the case company.

The findings indicated that ABB entered SSA through four entry mode types namely: Representative office, export, joint venture, and wholly-owned subsidiary. However, due to government's protectionist policies in the power generation industry in SSA, the joint venture entry mode could serve as the ideal mode to enter this market. Also, due to uncertainty and institutional voids, a company could enter through a non-equity mode such as exports or through a representative office.

Concerning the challenges to do business in SSA, the results indicate that corruption is the biggest impediment in the region. Other challenges include; political instability, weak legal framework, cultural differences, lack of market knowledge and weak infrastructure.

Keywords: Internationalization, advanced economies, entry modes, entry barriers, foreign direct investment, Sub-Saharan Africa

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List of Exhibits

List of Abbreviations

Abbreviation	Explanation
ABB	Asea Brown Boveri
BRIC	Brazil Russia India China
FDI	Foreign Direct Investment
G W	Giga Watt
IMF	International Monetary Fund
MNC	Multinational Corporation
SIDA	Swedish International Development Cooperation Agency
MNE	Multinational Enterprise

OLI	Ownership Location Internalization
EES	Electrical Engineering System

Introduction

1.1. Background

Internationalization has been at the center of many studies, and it is continuously changing the competitive landscape for companies operating internationally. The global economy is evolving rapidly and this creates an exciting market situation with huge implications for international companies and their competitiveness. Today, the international business environment is currently affected by changes in the global market place. In order to cope with this situation, some companies in developed markets have adjusted and developed their business strategies, while simultaneously maintaining their overall objectives in order to stay competitive. In addition, some firms from developed markets depend on sales from international markets and in order to attain these goals, they opted for new market opportunities to acquire new customers and secure sustained competitiveness in the long run. During the past decades, firms from advanced economies have focused on developed markets in Europe and USA, but with the rapid pace of growth in emerging countries like China, the Middle East, South East Asia, and some African countries, developed market firms have increased their market presence in these areas. In the past, firms from developed economies were hesitant to invest in Africa due to the fact that the continent was considered to be characterized by institutional voids and uncertainty as well as the fact that aggregate growth was developing from a relatively low level (Owusu & Habiyakare, 2011). Moreover, the political, economic, and administrative constrains in Africa make it difficult for doing business in the region. The continent is frequently affected by political instability such as the overthrow of governments, as well as other social and economic turbulence (Gyimah-Brampong & Traynor, 1999; Owusu & Habiyakare, 2011). Still, foreign investors perceive Sub-Saharan Africa (SSA) as risky due to instability in the macroeconomic environment, which serves as a critical determinant for FDI inflows (Mlambo, 2005). In addition, Chrysostome and Lupton (2011) argued that some African countries have high restrictive regulations concerning remittances which discourage foreign companies from investing in the continent.

In spite of the existing difficulties of exploiting business opportunities in Sub-Saharan Africa, there are quite a lot of positive market developments in the region. According to latest studies from the IMF World Economic Outlook (IMF, 2014), the top ten economic performers in Sub- Saharan Africa show similarity to the first generation of emerging economies, indicating sequential growth rates of between 4-6 percent besides improved political stability (Nellor, 2008; ITA,2008; UNCTAD,2012).

Moreover, the economic outlook for SSA is positive; the region has performed strongly well and should continue to do so. Sub-Saharan Africa saw an increase in growth from 4.9 percent in 2013 to an approximated 5.4 percent in 2014 and this growth is projected to increase to 5.5 percent in 2015 over the pre-crisis average of 5 percent (IMF, 2014). Drivers of growth include investments and exports on the expenditure side, with the production side led by construction, agriculture and new extractive industry capacity coming on-stream (IMF, 2012). Recently, countries like Ethiopia, Democratic Republic of Congo, Cote d'Ivoire, Senegal, Djibouti, Mozambique, Tanzania, Rwanda, Kenya, Sierra Leone, Uganda top the list of the fastest growing economies in Sub-Saharan Africa, all posting growth rates average of at least 5 percent in 2016 (IMF, 2016).

Furthermore, advanced market firms' growing interest in expanding their market presence in Sub-Saharan Africa can be backed by strategic management literature. In literature, the emphasis on traditional markets has been prompted by the arrival of the so-called Asian tigers in the beginning of the 1980s and later led by the BRIC countries (Brazil, Russia, India, and China), even though consideration has been shifted towards analyzing hidden business opportunities that exist within least developed countries (Hammond et al., 2007; Prahalad and Hart, 2002; Meyer, 2008). Different theories have emphasized various entry adaptation strategies for these markets as an important step if firms intend to expand their market position in Sub-Saharan Africa. Thus, if firms entering SSA succeed to adapt to local conditions in the formulation of an entry strategy, they are likely to meet a huge potential market. Expanding into a developing country does not necessarily compromise a strategy that centers on global brands versus a strategy that centers on the development and production of large scale products for mass markets (Prahalad and Hammond, 2003).

Besides, with developed markets facing saturation, a search for new high profit margins in new emerging markets is expected to push more firms to establish in developing countries, especially in Sub-Saharan Africa. Therefore, the main challenge for MNCs from developed market economies is to determine which entry mode to use in these markets.

Internationalization cannot be approached without a deliberate entry strategy. In order to come up with such a strategy, a company must make decisions on which market to enter, when to enter and how to enter. Johanson and Vahlne(1977) observed that firms willing to go abroad suffer from lack of knowledge to conduct business in foreign markets. They defined internationalization as a process where firms incrementally increase business activities in foreign market.

This incremental approach is based on a development of trust through relationships; understanding of the foreign market through the firm´s ability to learn; as well as the control of resources possessed by the firm. The effect is the level of commitment the firm devotes to the foreign market in terms of business activities. Due to improvements in technology and increased speed of business, the theory has been revised to include a heightened importance of networks (Johanson and Vahlne, 2009). This revised approach has shown that relationships within business networks are critical means for sharing information that is needed by internationalizing firms, as well as the means by which the internationalizing firm can use the business networks to change their level of commitment to that market. Recently Vahlne and Johanson (2013) again revised their model to take a more evolutionary stand. This latest version of the model explains that managing the development of a MNE is to a high extent a matter of coping with uncertainty. It is seen as an alternative to the eclectic paradigm (Dunning and Lundan, 2008:580). The major difference lies on uncertainty aspects. Thus, following from the 2009 version of the Uppsala model, this new version of 2013 has added elements of dynamic capability theory, theory of entrepreneurship, and theory of management of uncertainty.

In theory, global companies have used different entry strategies to enter SSA. Some of the most commonly used strategies are exports, joint ventures, wholly owned subsidiaries, strategic alliances, franchising, licensing, turnkey projects (Root,1994). This thesis addresses various entry mode strategies that are used by companies to enter foreign markets in general and SSA in particular, as well as the advantages and disadvantages of these strategies.

1.2. Problem formulation

As there is growing evidence that firms are increasingly pursuing an international strategy, the research on entry modes into foreign markets has caught the attention of academics and the business world. Over time, many studies have been carried out on the international entry mode of firms. Most of these studies have focused on firms entering developed markets, big emerging markets (Brazil, Russia, India, and China) and their experiences from these markets. Only a few studies have explored the context of developing economies and SSA in particular (Nakos and Brouthers, 2002; Dikova and Witteloostuijn, 2007; Gao et al., 2010; Demirbag et al., 2010; Akorsu and Cooke, 2011; Liu et al., 2011; Wood et al., 2011).

In addition, many studies focused on the performance implications of entry modes from the point of view of the parent company (Brouthers and Brouthers, 2000; Mudambi andMudambi, 2002; Elango andSambharya, 2004). On the other hand, only a limited number of studies of this nature have been conducted on Africa (Asiedu, 2002, 2006; Bartels et al., 2008). Despite these and other studies, Hoskisson et al. (2000), Nwankwo (2000), Burgess and Steenkamp (2006), and Owusu and Habiyakare (2011) argue that the academic literature on Africa is limited. Therefore, the author notes that this study helps to contribute to the limited research in the entry strategies of firms in Africa and SSA in particular. The importance of this study is that, it helps to shed light on the how a firm can manage an entry into Africa successfully. Which are the important factors for a successful business expansion for power generation firms?

1.3. Purpose and research questions

The purpose of this thesis is to increase our understanding of the entry mode choices of developed market firms in SSA. This leads us to the following research question:

"How should power generation firms from Developed Markets enter Sub-Saharan Africa?"

In order to achieve the overall objective of this thesis, two questions are addressed in order to provide an answer to the research question:

1) How have power generation firms from developed markets entered into Sub-Saharan Africa until now? And

2) What challenges do power generation firms from developed markets face in SSA?

In order to delimit the empirical investigation, one important sector of industry has been chosen, i.e. power generation. The reason for selecting this industry is that it is characterized by large companies, usually MNCs, large contracts, and that these companies are seen as early entrants in new unexploited markets.

1.4. Delimitation

Sub-Saharan Africa (SSA) refers to countries and island nations in Africa with geographical locations south of the Sahara, excluding Sudan, which is considered as part of Northern Africa as classified by the United Nations. It consists of 34 of the world's 49 least developed countries (UNFPA, 2011).

In order to limit the scope of the study and to make it more understandable, the author has excluded South Africa. The main reason is that, it is considered to be dominant in the Sub-Saharan region and might shadow the sight of the other countries.

Furthermore, in order to pursue a deeper investigation of the research questions, the author will use representative examples from three SSA countries namely: Nigeria, Cameroon and Ethiopia. The IMF classifies these three countries into rich resource, middle income, and lower income countries respectively (IMF, 2013b). Therefore, the intention is to focus on three countries that fall within different income groups. Nigeria is considered as the largest country in Africa by population and economic size (IMF, 2014). In 2012, FDI flows to Nigeria amounted to about US$ 7.0 billion and a stock of 76 billion USD (UNCTAD, 2013). Despite, this large volume, the bulk these investments is considered to be resource based. The choice for Nigeria is also motivated by the rapid economic growth which in 2013 amounted to about 6.8 percent (IMF, 2013a). Secondly, Cameroon has witnessed a tremendous increase in inward FDI stock during the past few years. In 2012, FDI stock as a percentage of GDP increased by 20 percent amounting to about US$ 5.2billion (ibid). Finally, Ethiopia has been experiencing rapid growth during the past few years. Within a short period of time, Ethiopia's inward FDI grew from USD300million to USD1billion and had in 2012 a stock of almost 6 billion USD (IMF, 2013b). The bulk of investments into Nigeria, Cameroon and Ethiopia are resource based investments and since this study is limited to small investments, which is mostly resource seeking in nature, these countries qualify as a suitable choice for this study.

In spite of the aforementioned, other countries like Senegal, Ghana, Ivory Coast, Kenya, Tanzania, Zambia, Botswana, Angola, Rwanda, Mozambique, and Namibia are amongst the fastest growing economies in SSA, with investment as a percentage of GDP well above 30 percent (Commerzbank, 2013). These countries could also be deemed as a natural choice for any study in this region, given a larger and more comprehensive study than was possible in this case.

Also, the scope of this study will be focused on advanced economies entering SSA. An advanced economy is defined as a country with a high level of gross domestic product per capita, and a significant level of industrialization (IMF, 2013b). As of 2010, the IMF classified 34 countries as advanced economies. These include the United States and Canada in North America, most nations in Europe, Japan and Asian tigers, as well as Australia and New Zealand (IMF, 2013b).

China, being one of the largest origins of FDI in SSA, could also have merited inclusion, but is such a new entrant in the field, which makes it difficult to assess a certain entry strategy.

1.5. Outline of thesis

This thesis is divided into the following five chapters:

Chapter 1- serves as the introduction and outlines the background, research question and subordinate research questions. The chapter ends with the delimitation for this study.

Chapter 2- describes the research method.

Chapter 3- examines various theories on internationalization and entry mode strategies. Other aspects discussed include challenges of firms in emerging markets. It ends with a summary of key issues to be taken into consideration by MNCs in SSA.

Chapter 4- consists of empirical studies conducted. Here, the case studies as well as findings from interviews are presented.

Chapter 5- consists of analysis and conclusion of findings. The chapter ends with limitations and suggestions for further research

2. Methodology

2.1. Chapter Overview

This chapter is intended to describe the methodological approaches used in this study. The chapter outlines the chosen research approach, research strategy, the data collection method and the reliability and validity of the thesis.

2.2. Research Approach

A research can either be explorative, descriptive or hypothesis testing. In order to explore the research problem and fulfill the research purpose, the author uses a qualitative method as the research approach informing this thesis. Qualitative research is aimed at gaining a deeper understanding of a field of study (Yin, 2003). Zalan and Lewis (2004) explain that qualitative research is suited for finding casual relationships, looking at processes and events and showing how this leads to specific outcomes. This study focuses on the entry mode choices of developed market firms, and it is perceived that qualitative research is suitable and most effective for this area of study (Zalan and Lewis, 2004).

There are different approaches to consider for a research process. The deductive approach starts with a statement, or hypothesis, and the goal is to reach a specific, logical conclusion. The essence of deductive reasoning is to test hypotheses and theories. By carrying out a logical deduction of the findings, the theory is either established or modified in line with the new conclusion (Yin, 1994). Inductive approach is the opposite of deductive reasoning. It makes broad generalizations from specific observations. This approach moves from specific information and knowledge to wider generalizations and theories. This is also known as a "bottom up" approach (Saunders et al., 2009). In addition, inductive research is chosen from the start as it is more open-ended and exploratory compared to a deductive research, which is narrower in nature and deals with testing or confirming hypotheses (ibid:117).

This thesis adopted a deductive approach. The author uses existing theories on entry modes as well as challenges faced by firms in the SSA market, since these factors are considered as the main problems facing the establishment of firms in the region. Following these theories, the author conducts a case study. The author examines these theories in the empirical findings to find out if the case company follow these theories, or if there are explanations for change in position today. Therefore, in this thesis, the author uses existing theories and modes to test a phenomenon.

2.3. Research Strategy

According to Yin (2009) there are five different ways of conducting a scientific study and each differ from one another. These are surveys, experiments, use of archival analysis, history and case studies. The author uses a case study as the strategy for this research. This study was aimed at increasing understanding of a subject matter that little is known about, which is, the entry mode choice of a power generation MNE into Sub-Sahara Africa. The study aims to give a better understanding and knowledge of how an advanced market firm entered the Sub-Saharan market. The study also investigates the strategies and methods used by an advanced market firm in emerging markets of Sub-Sahara Africa to confront if they actually fit with prevailing theories of internationalization and methods used to enter other markets. Therefore, a case study was chosen as a suitable means to conduct this study. Also, the author chose a case study approach due to the research problem. This research adopts an exploratory approach and in order to gather relevant and specific information that is needed to answer the research questions the author decided that a case study would be a preferable strategy. Further the author choose a single case study and not a multiple case study due limited financial resources and the unavailability to find other advanced market firms that have invested in the power generation industry in SSA.

2.4. Data Collection

The method of research selected by the author determined how data was collected in the course of the research. Data collection aimed at gathering relevant information to answer the research question. Wiedersheim-Paul and Eriksson (1997), state that there are two ways of collecting data, primary and secondary. This study relied on primary and secondary data. Primary data was retrieved from the original source, through face to face and telephone interviews. Retrieved material was consistent with the research questions. On the contrary, secondary data is information that has already been collected for another purpose (Ghauri and Gronhaug, 2005).

Secondary data was collected from articles, reports and academic journals. The author made use of archival records such as organizational records, charts collected from websites and annual reports of developed market firms that have established in Africa. An online search of advanced market firms that are active in SSA exposed many interesting prospects. The author e-mailed the ones he thought were of interest to the objectives of this study. The author obtained the contacts of persons with appropriate knowledge on entry modes in SSA. The author made recourse to secondary sources of data to support the findings obtained through interviews. Documentation took the form of written reports, formal studies or articles from the media. Later on, interviews were scheduled, i.e. deciding appropriate dates and how the interview should be conducted (personal meeting, telephone/Skype or e-mail). In total, four interviews were carried out. It is important to note that this study focuses on only one company entering the SSA market. The choice to focus on one company is due to the fact that only a limited number of advanced market firms have invested into this industry in SSA. Reasons being that the power industry in SSA is mostly owned by governments and not by the private sector. Still, the capital requirement in this industry is high and firms investing in this industry sell to governments and not to businesses.

2.4.1 Interviews

Interviews can be conducted via phone, email or by face-to-face. There exist three kinds of interview forms; semi-structured, structured and narrative interview (Malhotra and Birks, 2003).

In semi-structured interviews, the researcher determines the template of the topics to be discussed, but the interviewee's answers takes precedence in the direction of the interview. Semi-structured interviews are considered as the most suitable for qualitative studies. In this kind of interviews, the topics and questions are prepared well ahead of time since this gives the respondent the possibility to speak freely and the interviewer to dig further and ask follow up questions (Bryan and Bell, 2011).

A structured interview is more formal in nature, with this kind of interview the researcher follows a particular set of questions in an established order with a limited number of response categories. This interview is adopted by a researcher to enable the results to be compared with each other (Bryan and Bell, 2011).

The narrative or unstructured interviews, the interviewer gives topics and questions to be discussed and answered by the respondent. These topics and questions are based on events and actions on the point of view of the respondent on aspects surrounding the topic (Bryan and Bell, 2011). The main advantage with unstructured interviews is that, the respondent provides you with information that was not anticipated. The disadvantage is that, it requires skilled interviewers since the interviewer can be bias in his judgement about the respondent or the topic and it is considered expensive and time consuming to find the right respondents or meet them in person (Bryan and Bell, 2011).

This study comprised of a blend between semi-structured and unstructured interviews. These two methods were selected since it is considered that there can be a difference between information collected from interviews and actual documents (Bryan and Bell, 2011).

2.4.2 Interview guide

The interview guide comprised of semi-structured in-depth interviews and topics for discussion prepared well ahead following the research question and problem area. This guideline was used to accomplish the purpose of the interview. The author allowed the respondents to speak freely speak freely about their experiences so as to allow for a deeper understanding of the research problem, while open discussion questions were asked in order to get information surrounding the topic. Before the interview, the questions were prepared in advanced and forwarded to all respondents.

The main interview with the Regional sales manager of ABB, Stefan Kullander was conducted face-to-face and lasted for one hour. The choice to interview the regional sales manager for ABB Africa was based on the idea that he has considerable knowledge on the entry strategy of ABB in Africa. Three other interviews were held on phone with Pierre Njigui, Adedayo Olowoniyi, and Ahmed Ghoneim country managers for ABB Cameroon, Nigeria and Ethiopia respectively. These interviews lasted for thirty minutes. The decision to interview the country managers was to understand how decisions are implemented at the country level as well as the challenges that ABB faces in this country. The author must admit that the answers from the country managers were not detailed enough to explain the study area. Therefore, the significance of the interviews from country managers was difficult to measure.

2.4.3 Selection of respondents

The main respondent for this study Stefan Kullander was chosen by the case company. He was considered by the company to be the most knowledgeable on the entry strategy of ABB in Africa considering his long and previous experience in the market. The author from the initial stage wanted more respondents from the head office with knowledge on the subject matter, but after a brief discussion with the human resource department of ABB, it was not possible to get hold of skilled personnel with knowledge on the subject matter. The main respondent after the face-to-face interview, recommended the author to use country managers to substantiate certain parts of the study. Therefore, the author conducted three other interviews with country managers of ABB Nigeria, Cameroon and Ethiopia. The reason for using country managers were to understand how decisions from the head office are implemented at the country level and complexities they faced.

The number of interviews was determined by the willingness and availability of personnel in ABB to provide the author with information on the topic. Since only four personnel were willing and available, it therefore constrained the number of interviews conducted for this study. At the head office only Stefan Kullander was knowledgeable and willing to provide information on the subject matter. At the country level, the author contacted country managers of ABB in SSA and only three country managers were willing to participate in an interview. Considering that I was able to exhaust the topic with these four interviewees, I therefore decided to interview them.

2.5. Data analysis

There are four ways of analyzing data for a qualitative research. This include; analytic induction, grounded theory, data reduction and pattern matching. Data reduction has been used in order to analyze the data retrieved for this study. Data reduction entails selecting, focusing, separating and transcribing the data from the qualitative data collected. It is aim at reducing information collected into relevant data. When this has been done, it is organized in order to simplify conclusions to be drawn (Bryan and Bell, 2011). In this study, all four interviews were transcribed, coded and categorized with the help of the semi-structured interview approach. Transcripts were coded manually and compared with notes taken during the interview and secondary sources to make sure that data was not wrongly interpreted. After this process all transcripts were forwarded to respondents for them to read through to ensure that the transcribed notes were in line with what was discussed during the interview. During the coding process, all paragraphs and areas were read through to ensure that points discussed had been covered. Manual coding is important for this type of research since it gives the researcher better control and ownership over his work. The manual coding system made it easier for the author to process data from coding to categorization and later to themes and concepts.

2.6. Validity and Reliability

There are two important ways of assessing the value of qualitative and quantitative research which are reliability and validity (Merriam, 1998:199).

Validity is measured by the accuracy of the deductions at the end of a study (Bryman and Bell, 2011:307). To ensure the validity of this research, the author has checked the authenticity of all materials before using them. There are three kinds of validity: Construct validity; Internal and external validity. Construct validity is frequently used in quantitative studies, Internal validity is used in ascertaining casual relationships between two or more variables to find out if it justifies or not and the third type External validity focuses on whether the study´s findings can be generalized (Yin, 2014:33-38; Bryman, 2002).

According to Yin (2009) internal validity can be achieved if a researcher proves that a certain occurrence is the result of a previous event which is established on collected information from interviews and other documented sources. In order to ensure validity for this study, the author collected data from respondents' answers from interviews and from previous studies established by well-known and renowned scholars, also careful notes were taken throughout the interview process and later transcribed into text. To ensure better and valid results, the author used the concept of triangulation since in a case study, reports and documents can differ from the views of a respondent on a certain topic.

External validity focuses on whether or not the results from the findings can be generalized beyond the specific research context of the accomplished study (Bryman and Bell, 2011). This study uses secondary and primary data in order to increase the external validity since the data of this study can be replicable to other power generation firms which plan to invest in SSA. However, the external validity of this study is quite low since the author conducted a single case study.

Reliability is measured primarily by ascertaining whether there is stability and consistency in the results when repeated over time (Bryman and Bell, 2011:307).The level of reliability when using interviews is highly related to the interviewer's ability and how the answers were registered. Thus, it is possible to make mistakes in the assessment. To achieve high reliability the author has to be cautious and critical with the information he/she collected (Trost, 2012; Patel and Davidson, 2011:26-27).

This study was carried out through an interactive process between the information collected and the analysis. This was essential because it helped the author to produce reliable and trustworthy findings. Throughout the interview process, careful notes were taken and the author also tape recorded the interviews in order to get all the information. The interview tapes were listened to several times and later transcribed. These transcriptions were read and forwarded to the interviewees for feedbacks and clarification. Furthermore, data collected from various sources was continuously compared and analyzed to find differences and contradictions. The essence of this was to ensure that all collected data was valid and reliable. To further ensure reliability, the author ensured that all selected interviewees were relevant to the field of study.

However, some aspects weakened the quality of this study. The fact that the country managers for the case company provided insufficient information in comparison to what the author had expected reduced the quality of this research. The author did his possible best by complementing this lacuna with previous research on the region. Also, the fact this information was substandard does not make it usage useless.

Merriam (2009:199-200) argued that reality is a mental construction by human beings and he explained that the data analysis and interpretation in qualitative research are likely to be real than in quantitative research. This is as a result of the fact that data is collected by human beings and they have a direct link in reality through interviews and observations.

2.7. Limitations to the Study

This study takes into account one particular sector of industry-power generation- and only one company. This is due to the fact that very few advanced market firms have invested in the power industry in SSA. The power industry in most SSA countries is public procurement and not private. This makes it difficult for foreign firms to invest in public companies since these companies are mostly run and controlled by governments. Moreover, the capital requirement in the power industry in most SSA countries is high. Since most companies investing in this industry sell to governments and not to individuals. The results in this study are difficult to apply, but this does not mean that the results have no value.

Again, this study takes into consideration representative examples from only three SSA countries. This is due to limited research time to cover every single country in SSA. Thus, the possibility of generalizing the conclusions is limited. However, conclusions retrieved from this study came out with new ideas to be explored in future research. Due to common similarities amongst some SSA countries, it might be argued that the outcome of this study might be true for a larger sample of countries. Secondly, research on strategies in least developed countries face problems since most theories for developed market economies might not fit SSA markets perfectly well.

The choice of ABB as a feasible example within the sector is motivated by the fact that it is one of the largest and has been active in entering the SSA during recent decades.

3. Theoretical Framework

This chapter examines various contributions that have been made on internationalization with focus on entry barriers. The chapter starts by explaining general theories of internationalization. Thereafter follows a section with specific focus on the choice of entry mode. Additionally, theories around entry barriers faced by firms in the SSA context are examined. The chapter ends with a summary of the important issues that a Western firm may consider when drafting an entry strategy into the region.

3.1. General Perspectives

The reason behind foreign market entry is linked to the growth and exploitation of resources of MNCs across its operations (Hoskisson et al., 1999). This section looks at motives for internationalization, entry modes strategies as well as challenges in emerging markets.

During the past decade, globalization has persistently affected the competitiveness of companies globally. As a result, economic seclusion has become impossible and competition has shifted from a domestic to a global perspective (Root, 1994). According to Root, the global economy necessitates companies to shift from traditional business aspects to global strategies. Nowadays, many barriers to international trade have been reduced and some companies have shifted from a domestic to a global strategy in order to gain competitive advantage (Friedman, 2007). Other perspectives that are contrary to Friedman's ideas, argue that certain barriers still exist which companies must put in mind when framing their global strategy (Ghemawat, 2007). According to Ghemawat, companies cannot define a one-size fits all strategy. He explains that companies have to adjust to the characteristics of different developing countries (ibid: 11-33).

In order to confirm which entry mode advanced market firms can use, it is important to study and comprehend the theories informing their choice of strategy. The next section therefore addresses different motives for entering foreign markets.

3.2. Motives for entering foreign markets (Economic vs. Non- economic)

Most research in the field of international business explains that firms enter foreign markets with the eventual objective of growth and the maximization of profits (Czinkota and Ronkainen, 2007: 284). In addition, when firms face stagnation in their home markets, they enter into foreign markets as a means of pursuing opportunities in foreign markets (Ibid.284). Furthermore, firms see international expansion as a chance to meet up with the international expansion of domestic rivalry firms (Perkins, 1997). Still, firms enter foreign markets for strategic reasons, they use this as an opportunity to follow their customers abroad, and this is common with service companies (Czinkota and Ronkainen, 2007: 284). Conversely, manufacturing companies on their part enter foreign markets in order to secure economies of scale, which reduces average cost and therefore increases the competitive position of the firm in that market (Hollensen, 1998).

In spite of these economic reasons, a study conducted by Boddewyn (1988) contends that firms' entry mode decisions are determined by political behavior which is non-economic in nature. He defines political behavior as "the acquisition, development, securing and use of power in relation to other entities, where power is perceived as the capacity of social actors to overcome the resistance of other actors" (Boddewyn, 1988; Baron, 1995; Hillman and Keim, 1995). Boddewyn (1988:344) concludes by stating that, the political view should not be seen as a substitute for economic behavior, but as an alternative means or supplement.

Some companies follow what is referred to as the "increasing commitment" pattern of market penetration (Souvik, 2006:1). The company starts by exporting its product to the target countries, later on partner with local distributors, and finally ends with a directly controlled subsidiary.

Some firms enter into foreign markets in order to benefit from first-mover advantages (Ghemawat, 1984; Gilbert and Newberry, 1982, Spence, 1981). Lee and Lieberman (2010:144) argue that some firms enter foreign markets as a means of leveraging existing resources and filling existing resource gaps.

3.3. The Entry mode

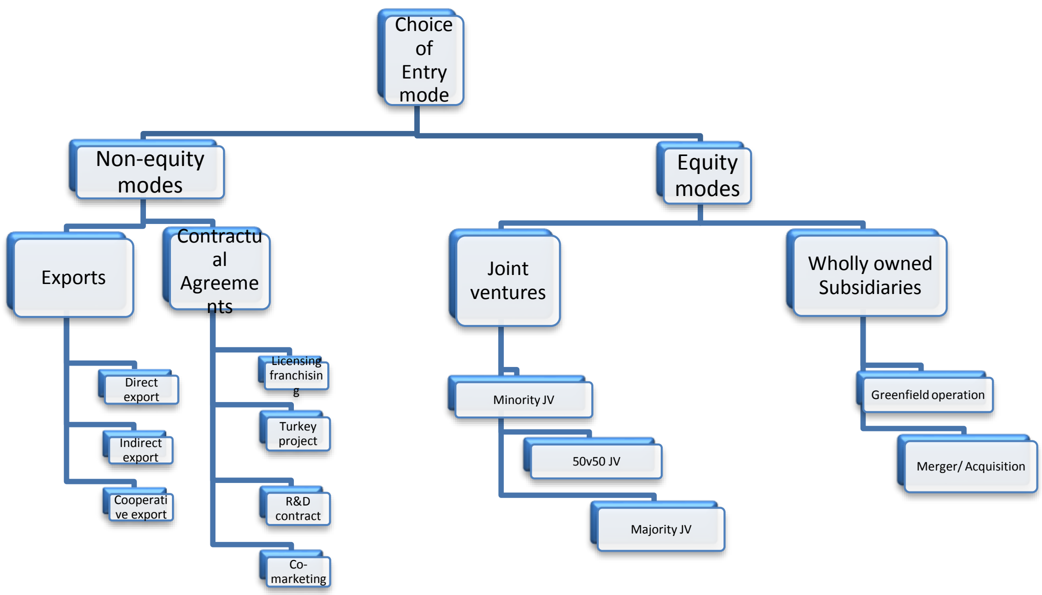
3.3.1 Definition of Entry mode

According to Root (1994), an international market entry mode is an institutional arrangement necessary for the entry of a company's products and services into a new foreign market. He considers that entry mode helps companies to determine goals, resources and policy in order to channel their international activities towards a sustainable international expansion.

3.3.2. Classification of Entry modes

Several studies have attempted to classify entry modes. In this study, the author classifies entry mode based on the hierarchical model of market entry modes (Pan and Tse, 2000:538). According to Pan and Tse (ibid: 538), foreign market entry modes can be classified first as non-equity and equity based. At the next level of the hierarchy, non-equity modes are further split into exports and contractual agreements, while within equity modes, the choice is between joint ventures and wholly-owned operations. The figure below explains the hierarchical model of market entry modes as stipulated above.

Figure 1: Hierarchical model of choice of market entry mode



Source: Pan and Tse, 2000:538

3.3.2.1. Non-Equity modes

A non-equity mode is made up of exports and contractual agreements. These modes have a low level of commitment to a market. Exports allow a company to enjoy economies of scale by locating production for many markets in one or few places. It also enables a firm to gain knowledge and experience which is important for further international expansion (Hill, 2011:474). By exporting, a company does not invest in key resources like an office, personnel, marketing campaigns and distribution facilities. Amongst the drawbacks are high tariff barriers, high transport costs and problems with locating production where labour cost is low (ibid.475).

By licensing, a licensor in the home country gives limited rights or resources to the licensee in the host country for a limited period of time for a royalty fee. This mode enables a company to enter a market with relatively low cost. Since the licensee takes care of all operational cost. The major disadvantages of this mode range from the inability to control technical know-how, to quality control, and the risk of having the licensee ruining the licensor's trademark and reputation by its incompetency (ibid.475).

3.3.2.2. Equity Modes

Joint venture

According to Masum and Fernandez (2008:17), a joint venture is an entity that is formed by two or more firms that are autonomous and are working together. The firms agree the responsibility of managing and running the organization and share the revenue that is obtained from the resulting organization.

This might include a public corporation, private corporation or even states (Young et al., 1989:17). In such a co-operation relative equity shareholdings are commonly 50/50 per cent or 51/49 percent. Distribution of equity shares is possible and this can be termed minority or majority owned joint ventures. Usually distribution of equity is based on other contributions, including technology, management or access to world markets (ibid).Some of the main objectives in a joint venture included; market entry, risk and reward sharing, and technology sharing and joint product development.

In joint ventures, parties involved share ownership, operational responsibilities, the control rights, and the losses of the new company, and the new company as an entity undertakes liability for its debts and third parties (Lynch, 1989:83; Johnson and Houston, 2000:67; Harrigan, 1988:141).The degree to which each party can achieve his goals in a joint venture depends on the shares possessed by each party in the joint venture.

Joint venture has some advantages (Hill, 2011:481). The investing company benefits from its local partner´s market knowledge of the host country in areas like the business system, political system, culture, language and the competitive climate in the host country, while both the investing company and local partner share both the costs and risks of the development of the company. By having a local partner, the investing firm reduces the risk of government intrusion or nationalization. Buckley and Casson (1998:539) argue that in a situation where costs of learning by experience, building trust and technology transfer are high, joint ventures could serve as a valuable method of entry. In some countries, the political situation makes joint ventures the most feasible entry mode. This mostly takes place in core industries like media and defense.

However, joint ventures involves shared ownership provisions in which conflicts and clashes for control amongst investing firms may arise (Chen,2008:303).

Wholly owned subsidiary

This entry mode strategy takes place when a firm holds 100 percent ownership. Much of the post-war activities by multinational enterprises took the form of investment in wholly owned subsidiaries. Wholly owned subsidiaries in foreign markets could be managed in two ways; first, the firm could establish a new operation in the host country(greenfield venture), and secondly, the firm can acquire an already established firm in the host country and use that firm to promote its products(also known as merger or takeover) (Hill, 2011:482). Kim and Hwang (1992:29) argue that a wholly owned subsidiary is characterized by high level of control and resource commitment, which is quite opposite to licensing agreements. Wholly owned subsidiaries and partially owned subsidiaries are affected by factors like; the corresponding legal estate of the company, whether the company is investing abroad to pursue a particular customer, the international experience, whether the company wants to invest their legal estates abroad and if there exist differences in manufacturing between home (Chiao et al., 2010:338).

Greenfield entry modes helps firms to have a better proprietary technology, know-how, and allows for a centrally coordinated global action as well as flexibility (Hill, 2011:482). Müller (2007:93) agrees that this entry mode has economic benefits like; reduction of transportation cost, higher sales prospects in foreign markets, lower production costs, and being closer to the market and consumers. This makes it easier for the firm to own its strategic plan and control its subsidiaries compared to other entry modes, and the firm has no risk of losing its competitive advantage and core competences. He however considers greenfield investments as the ideal entry mode if the technological gap between the competitors is sufficiently large.

Mergers/Acquisitions

A merger is an agreement between two firms that are competitors to co-operate (Deresky, 2006:261). This collaboration can take many forms; it can either be through a joint venture or to a short term contractual agreement (ibid:261). The advantage is that it gives the firm a much greater ability to build the kind of subsidiary it wants. Meanwhile, as a disadvantage, clashes occur between cultures of acquiring and acquired firm. Still, acquisitions could be expensive, due to the scarcity of attractive partners and the tendency of not willing to be acquired (Couturier et al., 2010:45).

3.4.2. Summary

This section has shed light on entry mode theories and their classification. We learned that entry modes are classified into non-equity modes consisting of exports and contractual agreements, while equity modes consist of joint ventures, wholly owned subsidiaries, and strategic alliances. However, we saw that the main difference between them lies in the fact that non-equity modes have a lower level of commitments to the market compared with equity modes.

The next aspect discussed was the motives that push firms to enter foreign market. We noticed that the drive by firms to enter foreign markets is divided into economic and non-economic reasons. First, the economic reasons why firms enter foreign markets come as a result of the need of firms to achieve growth, maximize profits, pursue opportunities abroad and avoid stagnation in home markets. Second, non-economic reasons that are determined by political behavior which is non-economic in nature. In addition, we saw that financial risk and marketing risk play a significant role in the choice of market entry modes.

One of the main issues of the emerging market literature with regard to doing business in emerging markets is the institutional system, which entails inadequate capacity of national market institutions and infrastructure which are necessary for doing business in a traditional way. In order to solve this problem, companies often assess the target country's market institutions and creating relationships. Still, companies must understand that institutional voids when tackled correctly, could serve as opportunities within the local context. The next section will therefore elaborate on challenges that western firms face in emerging markets, with particular focus on SSA.

3.5. Challenges in Emerging Markets

Emerging markets are fast becoming the driver of growth and their presence cannot be ignored.

This critical role of emerging markets in the world´s economy has incited the study of EMs by various researchers. In spite of the growth opportunities possessed by EMs, foreign firms and investors have faced lots of challenges in these markets. Most of these challenges encountered by foreign firms are caused by unfamiliarity with host country environment thereby scaring foreign firms to invest in these markets (Parks and Flores, 2000; Goodnow, 1985; Nakata and Sivakumar, 1997; Luo, 2009). Previous studies on EMs have highlighted the view that factors such as political instability, legal infrastructure, corruption, cultural differences are some of the factors that could scare foreign investors in an EM. Luo (2002:486) emphasized that a host country´s inability to conceive and implement consistent laws could pose as a challenge for foreign investors. However, even though these challenges exist in EMs, it is important to note that there also exist benefits in emerging markets.

In this study we focus on SSA countries. Some experts refer to it as the second colonialism unlike the first one (AGOA, 2000). According to the African Growth and Opportunity Act (AGOA), this second scramble for Africa is seen as a rush for Africa´s natural resources. SSA´s large population and vast natural resources has made the region attractive for foreign investors, although the region´s socio-economic, cultural, and political landscape has impacted economic growth. Following our discussion on previous studies on challenges of foreign firms in EMs, the following section will focus on these challenges that foreign firms faced in SSA.

3.5.1. Political instability and policy uncertainty

Security is of prime importance to most foreign investors in host countries. Lack of security can scare investors from investing in a new market. Patillo (1998:522) emphasized that foreign investors already have a negative image about investing in SSA. Although social strifes may not lead to conflicts, it is considered detrimental to the investment climate since it contributes to financial loss. Singh and Jun (1995:5; Alesina and Peroti, 1996) stated that political stability is an important factor in sustaining substantial levels of foreign investments. Presently, ensuring political stability in SSA has been a major problem for most governments and this makes transition into economic development difficult due to uprisings and persistent coups d´état which thereby leads to the collapse of the capital market (Authers, 2006; Bloom et al. 2008). Also, conflicts come as a result of cultural and religious factors. Some examples could be seen in Nigeria on the abduction and extraction of ransoms from multinational petroleum companies by insurgent groups in the Niger Delta region. Presently, there is the Boko Haram insurgency which has brought insecurity to the country and parts have been under a state of emergency, thereby disrupting businesses.

Recently, economic analysts revealed that many major projects have gone uncompleted due to poor management of public institutions. They equally stated that the levels of cancellation are higher in SSA due to institutional constrains (Harris and Pratap, 2009: 2). Still the World Bank´s “ease of doing business on SSA” reveals that most government policies concerning registering and starting businesses takes about 11 different approvals and close to 60days to complete (World Bank, 2010:13). This lengthy period discourages entrepreneurship, trade, and investments in the region .Thus, investors have suggested that governments in SSA countries should make trade and investment policies accessible to attract foreign investment in the region (World Bank, 2013:4).

Political stability and policy uncertainty mostly affect the political and legal environments of most EMs. However, effective policies and anti-bribery laws can help to reduce the rate of corruption and bribery in EMs for both investors and citizens (World Bank, 2013:4). Still, Li and Hoyer-Ellefsen (2008:3) suggested that governments in EMs countries need to be more open and transparent if they intend to attract foreign investors.

3.5.2. Corruption and nepotism

Corruption and favouritism are two unavoidable factors in SSA countries (Eiteman et. al., 2010). According to Transparency International Corruption Index, six of the top ten most corrupt countries in the world are in SSA (TI, 2013). Corruption is perceived as a deep rooted phenomenon which was derived from colonial rulers (Mulinge and Gwen, 1998:15). Other studies argue that corruption weakens governments checks and balances, thereby rendering political institutions weak (Igbanugo and Gwenigale, 2011:12). In addition, favouritism is another aspect that is affecting companies in SSA. In some SSA countries, appointments to posts of responsibility are done on a relationship level and not by merits. This affects the management of firms, since those who are charged with the responsibility to manage these companies are either a relative or cousin to the person appointing (ibid: 12).

International institutions such as the US Agency for International Development (USAID) are focused on sanctioning governments that have failed to strengthen their political institutions and eradicate bribery and corruption, however such sanctions that are meant to fight bribery and corruption have turn up to affect investments in SSA where such practices are common (Spalding, 2010:352). Other countries on their part find it difficult to conceive and enforce laws that could minimize such practices due to a weak legal infrastructure, poor communication and weak coordination (Luo, 2002:113). Another suggestion to fight bribery and corruption in EMs is to encourage countries to ratify anti-corruption conventions such as the FCPA, AU, WTO, IMF, ICC, and OECD (Igbanugo and Gwenigale, 2011:8). Meanwhile, companies on their part should maintain their CSR policies to ensure sustainability in the host country and should not look at CSR only as a means of enforcing government policy (Nkamnebe, 2010:217).

3.5.3. Economic and financial constraints

In some SSA countries, governments' taxation policies discourage foreign investors as this makes it difficult for companies to recover their operation cost. Dabla and Inchauste (2007:3) stated that high taxation and unfavourable tax policies has a negative impact on new firms. Still, Djankov et al., (2010:35) argue that high corporate taxes are not favourable for aggregate investment and entrepreneurs. An example could be cited in Ethiopia where a good percentage of foreign firms' earnings are reverted towards taxes (World Bank, 2010) thereby affecting incentives for investment.

According to Kahn (2005:20), financial constrains discourage firms from investing in SSA. The unstable financial situation in most SSA countries led to limited capital availability. In a study conducted by the World Bank, out of 24 countries studied, it was revealed that less than 10 percent of total loans were funding infrastructure (Irving and Manroth, 2009:3). The study further revealed that alternative means such as bonds are unavailable while access to financial markets is limited due to poor credit ratings (ibid). In addition, the low-income background of most citizens in SSA countries affects foreign investors due to low consumption rate which comes as a result of unstable currencies (World Bank, 2013:4).

Reducing corporate taxes could be used as one of the means to fight economic constraints. Foreign companies should strive to discuss tax reduction as a pre-requisite for them to invest in EMs (Devereux et al., 2008:1212). Also, international liquidity could serve as another means which could deter foreign investors from borrowing from financial institutions (IMF, 2011:5).

Another problem faced by companies in SSA is the lack of market knowledge. Most companies that enter into the SSA market face difficulties with getting market information about the area. Most often the companies go there and learn by doing. The trade centers in the region are more focused on charity work than helping foreign firms to establish. Embassies on their part provide companies with shallow information which is not specific enough. But good relations with embassies are necessary since they have political connections to assist companies. This is mostly the case with companies who depend on embassies and contacts with high level ministers. Nigeria could be seen as an example of a SSA where lack of market knowledge highly prevails. The country lacks the necessary technology to create a basis for higher productivity and growth. In addition, there is a weak link between industries and knowledge generating institutions. However, the Nigerian government has undertaken reforms to rebuild knowledge generating institutions; secondly, they are equally improving on FDI in the non-oil sector and finally, the Nigerian government is collaborating with the Japanese government and UNESCO as a means to improve on Science and Technology in the country (IAB, 2005:7).

Moreover, foreign firms in SSA are faced with the problem of weak infrastructure, compared to other developed emerging markets like Latin America. In most SSA countries, there are few and bad road conditions, which affects the transportation of goods and services, especially during the rainy season. These bad road conditions persistently lead to accidents and this seriously affects companies who merely import goods to be transported to working sites. In addition to these bad roads, there is a high security problem with persistent robbery on highways. All this affects the value chain of firms that establish in SSA. For example, Ethiopia's surface and transport infrastructure is exceedingly poor and underdeveloped. Ethiopia has the lowest road density in the world, and only 13.3 percent of its roads are paved. There are few interconnecting links between nearby regions and large parts of the country are isolated and partly dependent on animals for transportation. Ethiopia is equally a landlocked country without ports and harbors of its own. The only train network consists of 681 kilometers (World Bank, 2013).

3.5.4. Cultural differences

As stated by Hofstede (2001:9), "Culture is more often a source of conflict than of synergy. Cultural differences are nuisance at best and often a disaster", in the course of engaging with local workers and companies. Western norms and customs may differ from those of SSA countries and this may serve as a challenge to firms investing in these countries. Due to these differences in values, there is often the problem of miscommunication and disagreements. This cultural diversity between the West and SSA countries makes the running of business operations to be complex and difficult (Usunier and Lee, 2005:23). Western firms investing in SSA countries need to understand the local norms and traditions of local people in SSA countries. An example could be seen in Cameroon, where there is a lot of respect for the elderly. This hierarchical system is reflected on business practices and communicational structures in Cameroon as opposed to business practices of advanced firms that are based on a flat organization (CIL, 2013).

Cultural differences in EMs are a sensitive and important factor and the choice of a foreign firm to deal with it can lead to the success or failure of a firm. However, an integrative approach of the work cultures of both the host and foreign firm could help to minimize such differences (Dijk et al., 2012:5). Another means of reducing differences could be through open door policies and corporate transparency, which will give the citizens the possibility of expressing their opinions especially as management styles in most EMs are often bureaucratic and oppressive (ibid:10). Still, companies are equally encouraged to get involved in activities that could help to strengthen the wellbeing of citizens such as pioneering charity activities.

Hence, the factors discussed above represent some of the common challenges that Western firms faced in EMs with particular focus on SSA countries. Thus, the possibility of an advanced market firm to deal with these challenges could serve as a means to tap resources in these markets.

3.5.5. Summary

The elaboration of challenges that advanced market firms face in EMs has given us an insight of the various difficulties that firms face when entering foreign markets. We saw that the important role played by EMs in the global economy has prompted the study of EMs by various researchers, especially the challenges that firms faced when investing in these markets. Still, we equally saw that these challenges most often are caused by unfamiliarity of the host country environment which helps to scare away foreign investors (Parks and Flores, 2000:273).

Furthermore, looking at previous studies on challenges in EMs with focus on SSA, we noticed that political instability and uncertainty, corruption and nepotism, economic and financial constraints, and cultural differences are some of the common factors that discourage advanced market firms from investing in SSA. Thus, these factors mentioned above, depict some of the challenges that Western firms face in SSA markets which are represented by Nigeria, Cameroon and Ethiopia in this study.

The choice of advanced market firms to resolve challenges, as was seen above, could serve as a critical point to the success or failure of that firm in the SSA market. What is worth noting for advanced market firms when it comes to SSA countries is that, governments in most of these countries play a central role in the regulation and control of the business environment. Therefore, advanced market firms investing in SSA must take into consideration the central role played by governments.

3.6. Summary of the chapter

In this chapter, the author reviewed and discussed the theoretical background of the research. As we saw in the literature review, the method in which firms venture from home to foreign markets could determine the success rate of their overall strategy. Therefore, choosing the right entry strategy is an important decision that requires a high level of resources and planning.

In the literature, the author paid emphasis on the need for a market assessment that identifies potentials and effectively answers the question on how an advanced market firm should enter an emerging market. This market assessment presents the scope and conditions of the market, in which advanced market firms would operate. The reason as to how firms enter foreign markets has its origin in the financial and competitive advantages that the firm would benefit from this expansion. In order to achieve these goals, a company has to analyze different factors.

4. Empirical data

This chapter consists of information collected throughout the research. It consists of both primary data collected from semi-structured telephone interviews and secondary data from various sources.

4.1. Sub-Saharan Energy Sector

Sub-Saharan Africa currently has a generation capacity of 68GW. Two-thirds of this capacity comes from South Africa, of which 90 percent is generated by coal. On the other hand, most of the other SSA countries generate mostly hydropower and diesel fired gas turbines which are mostly used in emergency situations (IEA, 2014). In the next section, we focus on the current generation capacity in our case countries. Nigeria has twenty-three grids connected generating plants in operation with a total installed capacity of 10,396 MW and available capacity of 6,056 MW. Most generation is thermal based, with an installed capacity of 8,457 MW and available capacity of 4,996 MW. Hydropower accounts for about 1,938 MW of total installed capacity and an available capacity of 1,060 MW (KPMG, 2013). According to Adedayo Olowoniyi, the Transmission Company of Nigeria (TCN) is responsible for the transmission of electricity, meanwhile Manitoba Hydro International (Canada), a management contractor, is responsible for revamping TCN to achieve technical and financial competence in addition to providing the stable transmission of power. Currently, the transmission capacity of the Nigerian Electricity Transmission system stands at about 5,523 km of 330 KV and 6,801 km of 132 KV lines (ibid). In addition, electricity distribution in Nigeria is currently operated by eleven distribution companies namely, Abuja , Benin, Eko, Enugu, Ibadan, Ikeja, Jos, Kaduna, Kano, Port Harcourt, Yola (Adedayo Olowoniyi, country manager ABB Nigeria, 2012).

Cameroon has an installed capacity of 1,400 MW which is mostly based on hydropower which constitutes about 70 percent. Following this total capacity, 721 MW is made up of hydropower and 212 of thermal sources including 24 MW of isolated capacity. The transportation grid has 480km of 225 KV lines, 337km of 110 KV lines, and 1064km of 90 KV lines, with 24 sub-stations. This installed capacity fluctuates during the drought season forcing the country to rely on expensive thermal units. Cameroon currently has plans for some large hydropower development and implementation of solar PV which is expected to provide a long-term source of electricity over the next twenty-five years. Power generation, transmission and distribution in Cameroon is currently managed by AES-Sonel (Pierre Njigui, country manager ABB Cameroon, 2012).

Ethiopia’s energy supply is primarily based on biomass. With a share of about 92 percent the energy supply, biomass constitutes about 88 percent, followed by oil and hydropower of about 6.7

percent and 0.9 percent respectively. The installed electricity stands at about 2060 MW (88% hydro, 11% diesel and 1% thermal) and this production capacity covers only about 10 percent of national energy demand (Ahmed Ghoneim, country representative ABB Ethiopia, 2012). In addition, Ethiopia is well endowed with renewable energy sources such as hydro, wind, geothermal, solar and biomass. The generation of electricity is managed by the Ethiopian Electric Power Corporation (EEPCO), while transmission and supply through integrated national grid system is reserved for the government or joint ventures with the government (ibid).

According to Stefan Kullander most SSA countries experienced key reforms in the privatization of the electric industry. This move was pushed by the search for greater efficiency in the energy sector, combined with advantages of competition and market forces. During this process most SSA governments restructured and liberalized their energy sector to include the involvement of private sector in the management of vertically integrated monopolies. This action plan invited both privately owned and multinational companies to participate the development of the energy sector. Since ABB's inception into SSA, it continued to reinforce the stabilization of electricity grids through the provision of new technologies that is required by the SSA market. With ABB's pioneered HVDC (high voltage direct current) technology, it was able to connect the electric industry in some SSA countries with renewable energy sources. This increased transmission systems and facilitated grid-stabilization. By improving and expanding the HVDC technology to SSA, ABB greatly contributed to the development of the electric power grid. ABB's presence and their ability to develop the electric industry through its HVDC technology have put them in a leading position in the SSA market.

4.2. ABB in general

4.2.1 Background

ABB, (Asea Brown Boveri) is a Swiss-Swedish based multinational company operating in around 100 countries and employs about 140,400 people (ABB annual report, 2014). As one of the world´s leading engineering companies, ABB is a leading provider of power and automation technologies for power utilities, industrial enterprises, and transport and infrastructure customers in a market worth more than US$600 billion per year. These are attractive sectors and the market served by ABB is forecasted to grow from about US $600 billion in 2014 to US $750 billion in 2020.

In order to achieve these goals, ABB has defined three focus areas: profitable growth, relentless execution and business-led collaboration (Stefan Kullander, regional sales manager ABB Africa). ABB´s international strategy is focus on “Think global, act local”, ABB has a long history of presence in emerging economies ranging Eastern Europe, East Asia to Africa since 1989. In 2014, ABB generated close to US $39.8 billion from Africa, with a total of US$ 890 million from SSA while realizing more than 10 percent increase in countries such as Sweden, Germany, and the United States (Stefan Kullander).

4.2.2. Internationalization process in Africa

The ABB Group was formed in 1988, when the Swedish Asea and the Swiss BBC Brown Boveri merged. The history of Asea could be traced in 1883 and BBC Boveri to 1891. But both companies had been operating in Africa since 1907 and 1924 respectively. The newly formed ABB became established in Africa in 1992 when the company made extensive investments in Southern Africa, both in manufacturing and building local capacities through engineering skills (ABB, 2012). Since the company's inception in Africa, it became a major player, growing gradually through acquisitions. In 1996, ABB acquired York (pty) Ltd, the largest manufacturer of plastic enclosures. With service essentials to core business, a strategic acquisition was made in early 2000 with the purchase of Predict Engineering Services. In 2002 ABB successfully combined its medium voltage switchgear business with that of Reyrolle Switchgear, which it acquired from NEI Africa (ibid).

From 1992 to 1998, ABB rapidly expanded across Africa by building more joint ventures and establishing wholly-owned subsidiaries in SSA countries.

By the end of 2014, ABB had eight local manufacturing and thirty regional sales and service centers across Africa. ABB’s strategy in SSA was focused on two African sub-regions (Southern and Northern), while operating South Africa and Egypt as “hub countries”, local production, engineering centers, and providing resources and support to neighbouring countries (Stefan Kullander).

Today, ABB’s internationalization strategy in SSA is focused on growing step by step. ABB is targeting ten countries (DRC, Kenya, Angola, Tanzania, Mozambique, Nigeria, Ghana, Senegal, Cameroon and Ivory Coast) and direct product division sales as well as through channel partners. The company plans to use their success in these ten countries listed above to expand into the next most attractive markets. ABB in SSA is focused on strengthening the service business and expanding local engineering capabilities for both power and automation products (Stefan Kullander).

4.2.3 Choice of company

In order to fulfill the requirements of this case study, the author choose to conduct a case study on a well-known Swiss-Swedish company named ABB. ABB (abbreviation of Asea Brown Boveri) is a multinational corporation with headquarters in Zurich, Switzerland. ABB is a global leader in power and automation technologies. ABB has a long history of internationalization in Sub-Saharan Africa with many years' experience of international operations. They are presently technological leaders in their industries abroad. Besides, the most important basis for case selection is the accessibility of information with ABB. Also, the company fits the criteria for this study and thus enables some degree of generalizations. In addition, the author has gained personal relationships with three country managers of ABB in Sub-Saharan Africa; notably Cameroon, Nigeria and Ethiopia. These are three Sub-Sahara African countries where ABB has international operations. Despite the socio-political conditions of these countries, their medium term prospects for growth are looking promising (World Bank, 2014).

4.2.4. ABB's early entry in SSA

Stefan Kullander explained that Sub-Saharan Africa is a very large region with diversified cultural backgrounds and many countries. The history of ABB in SSA started when the Swedish government through its development agency SIDA envisaged years of economic growth and improved democracy in Africa. During this period, ABB and other Swedish companies like Scania and Volvo started to invest in Africa, more precisely in Egypt, South Africa and East African countries. In order to sustain this development, SIDA realized that these countries were in high need of infrastructure especially electricity and also saw this as a means to lift the people of Africa from poverty. As means to cope with the status quo, ABB with the support of SIDA acquired and entered into joint ventures with local companies to improve on the energy situation in these countries. ABB started its operations in the region when it made joint ventures with York (pty), Predict engineering Services and Reyrolle Switchgear. The managers in SSA explained that the choice of joint ventures was sometimes required by governments, as they equally found out that their partners could help ABB to build strong ties with governments which in most countries hold a high degree of autonomy and controlled in the electricity and energy sectors (Adedayo Olowoniyi)

4.2.5. ABB's Later Period of Development in SSA

From 1998 to 2014, ABB has set up a large number of joint ventures and wholly owned Subsidiaries (ABB annual report, 2014). After securing a reasonable share of market size and volume in SSA and as a means to expand to other parts of SSA, ABB restructured its businesses under wholly-owned subsidiary to enable them protect their technical know-how in automation technologies. In addition, ABB open up engineering centers and sales offices to cope up with its growing businesses in Southern Africa. Some of these offices were located in Angola, Botswana, Democratic Republic of Congo, Kenya, Mauritius, Mozambique, Namibia, Tanzania, Uganda, Zambia and Zimbabwe. Moreover, ABB has continuously provided a broad range of services including; electrical power for transmission and distribution networks, and products and systems.

4.2.6 Entry modes into SSA

According to UNCTAD (2014) most large scale investments in SSA have traditionally taken the form of M&A and came as a result of large-scale privatization programmes in the 1990´s and the beginning of 2000´s. M&A are seen as an expression of an active strategy by MNCs to secure access to strategic assets to expand or secure market control (Hennart and Park, 1993:1055). In 2014, the value of announced M&A transactions in SSA contracted to $28 billion and the most targeted nation´s deals for M&A in SSA were Nigeria, Mozambique, Mauritius and Togo (UNCTAD, 2014:39). With sustained economic and population growth in Africa, investors continued interest extended from the extractive industries to consumer-market oriented sectors such as foods, information(IT), tourism, finance and retailing in order to target the rising middle class population (ibid).

FDI inflows to Africa rose by 4 per cent amounting to $57 billion, driven by international and regional market-seeking flows, and infrastructural investments. Greenfield investment projects showed that the service sectors is driving investments, meanwhile, most investments are targeting the construction, utilities, business services and telecommunication sectors. Cross-border merger and acquisition (M&A) sales showed a sharp increase in the manufacturing sector, while there was a sharp decrease flows in resource-based industries such as coke and petroleum products, and metal products, both of which fell by about 70 per cent (UNCTAD, 2014:39).

On the other hand, the cultural distance theory suggest that, foreign investors from culturally distant economies avoid entry modes of mergers and acquisitions where they would have to accommodate the target firm´s national and corporate culture into their own specific and more distant firm culture (Kogut and Singh, 1988:411). As an example we notice that Asian investors have a high preference for Greenfield entry modes as a means of avoidance and a cost saving strategy. Conversely, South African investors have preference for M&A´s, probably because they are more rooted in other African economies (Henley et al., 2008:99).

Moreover, besides the selecting an entry mode, foreign investors take a decision on the level of equity participation along a scale of partial ownership through a joint venture or a wholly owned subsidiary (Makino and Neupert, 2000: 705). There are basically four types of partial ownership partial acquisitions, full acquisitions, greenfield joint ventures and wholly-owned subsidiaries (Brouthers and Hennart, 2007:396). The latter is mostly preferred by half of foreign multinational corporations and investors in Africa (UNIDO, 2007:5).

As seen from above, investing in an emerging market like SSA requires an entry strategy framework whereby foreign firms must invest on research about getting to know the continent and not just a single country or industry. Still, foreign firms must conceive policies to tackle institutional voids in SSA.

4.3. Decision making in ABB

The corporate structure in ABB is centralized and decisions are central strategies made before hand at the top in Sweden, Switzerland or Germany (Kullander, 2016, interview 17th May).). However, personnel working on the site have possibilities to make decisions, in so far as they can be economically motivated and are in the best interest of the project. In most projects customers have the possibility to make adjustments but most contracts spell out the goal with the project and ABB is obliged to follow these directions .A site manager makes decisions representing the views of the Swedish project leader and the local customer (Kullander, 2016, interview 17th May).

What shapes ABB decisions is that it has an abundant conformity and an economic motivation that guides it (ibid).

In some emerging markets like China, ABB has faced problems with plagiarism. The company has not envisaged this type of problems in Africa since the resources and knowledge required to plagiarize ABB´s transformers does not exist locally. In most projects and contracts in Africa, it is clearly specified that all documentation may not be turned over to a third party and this is strictly followed.

4.4. Motives for expansion into SSA

ABB chose to enter SSA markets in order to improve on the energy sector of the region and provide the people with electricity. Before ABB´s inception in the region, SSA had witnessed some years of economic growth but was in high demand of electricity to sustain this growth. Thus, the Swedish government through its development agency supported these projects through ABB to improve on power infrastructure and distribution networks in the region (Kullander, 2016, interview 17th May).

Furthermore, SSA has a huge market size and market volume that is quiet beneficial to ABB´s power and automation technologies. ABB provides a wide range of services from electrification, transmission, designing and offering of complex solutions which are capable of serving the rising local demand needed by SSA countries to improve on their electrical infrastructure. With ABB, a project starts with a specification from a client and the company makes modifications according to requirements from the customer. It equally makes technical adjustments with respect to the local circumstances in that specific country. In most situations, local units are made up of local personnel and ABB uses local consultants to adjust to the local environment with respect to rules and regulations (Njigui, 2012, interview 20th March)

The location in SSA offers advantages like cheaper labour cost, while the main disadvantage is the time aspect. It takes two or three times longer for an African employee to do a job compared to their European counterparts (Kullander, 2016, interview 17th May). Still, there is a growing demand for ABB´s products and an opportunity for ABB to increase its market share (ibid). Another disadvantage in SSA is the bureaucratic nature of the working environment which slows down projects. One manager explained that it is difficult to work in SSA due to the type of hierarchy in these countries (Njigui, 2012, interview 20th March)

4.5. ABB in Nigeria

4.5.1. Entry Strategies

ABB had existed in Nigeria as ASEA, which was incorporated on the 1st of March 1977. However, before ABB´s inception in 1992, ASEA had been selling electrical products for many years from transformers to the supply of hydro generators. ABB Nigeria has 38 employees and 2 expatriates workers, with an annual turnover of about US $30 million (Adedayo, 2012, interview April 30th).

ABB´s strategy in Nigeria is focused on acquiring and partnering with local companies. In order to achieve these objectives, it entered into joint ventures with majority shares. Joint-venturing was the best option since the country´s policy does not encourage 100 percent foreign owned businesses in the sector (Adedayo Olowoniyi). Adedayo indicated that ABB was responsible for production management and its partners were in charge of sales and marketing. These companies operate mostly in the generation, transformation and sale of industrial electrical products. The main joint ventures were with Mikano International Ltd, Bolamark Engineering Ltd, Foltechs Ventures Ltd, Con Engeering Ltd, and Unistockists Ltd for the sale and technical support of all low voltage products manufactured by ABB Group. These are products used in industrial and domestic applications for protection, automation and comfort. ABB Nigeria has also joint ventures with

Inlaks Power Solution Ltd and Mikano International Ltd for the sale of medium voltage products. In addition to selling products through joint ventures, ABB Nigeria is equally executing power projects for state-owned enterprises and individuals. These projects range from the generation, transmission and distribution of electricity (Adedayo, 2012, interview April 30th).

4.5.2. Challenges

Corruption is a major endemic institutional problem. Bribing and corruption seriously affect the successful operation in the country. Giving bribes and encouraging corruption and fraud is seen as one of the greatest impediments to businesses and this practice raises the cost of doing business and makes the country risky and unattractive for investors (Adedayo, 2012, interview April 30th). The country is currently ranked 131th out of 181 countries in the World Bank's Doing Business Index on Corruption (World Bank, 2012). However, during the last years the government has been exerting actions to fight corruption through a series of laws such as the creation of anti-corruption institutions that investigates and sanctions corruption cases. In order to prevent or fight corrupt practices, the government has put in place certain measures like the reform of the justice and banking system, and the establishment of a better reward system in the public service, bidding of contracts and carrying out transactions. Corruption is viewed as a serious threat to the socioeconomic growth of a country. In addition to these actions, several arrest, prosecution and recovery of public properties have been made (Adedayo Olowoniyi)

Furthermore, the legal and political conditions are generally weak and inefficient. The government is noted for being inconsistent and erratic in the change of its policies which affects foreign firms. Local companies and individuals manipulate the judicial system and law enforcement agencies to their favour and at the detriment of foreign companies. In some cases, top government officials have used their position to influence the award of contracts to local companies at the detriment of foreign companies that have the necessary competence to execute these projects. Since judges are too corrupt and timid to dispense justice against such persons, they end up going unpunished. Still, ABB faced problems with regards to the movement of its personnel and local content requirements. The country imposes quotas on foreign personnel based on the issued capital of firms. Such quotas are strict in the power, energy, oil and gas sectors. Companies operating in these sectors are required to hire local workers, unless they can show that the particular positions required is not found in local workforce (Adedayo, 2012, interview April 30th).

Furthermore, Nigeria has constantly witnessed problems of instability. The country lacks a political class to adhere to the doctrines of democracy and constitutionalism. This situation has led to abuse of power, corruption, disregard of due process, non-respect of the rule of law, abuse of the electoral process (Adedayo, 2012, interview April 30th). All this opposes the tenets of governance which presupposes the process of social engagement between the rulers and the ruled in a political community. Recently, there have been persistent conflicts which come as a result of cultural and religious factors. Some examples are the abduction of civilians including many children and extraction of ransoms from multinational petroleum companies by insurgent groups in the South South region. Presently, there is the Boko Haram insurgency which has brought insecurity to the country and parts have been under a state of emergency, thereby disrupting businesses (Adedayo Olowoniyi).

However, the easiest way to avoid this interference is by entering into joint ventures with local companies. This explains the reason why most foreign firms investing in Nigeria choose this entry mode strategy. This also enables the foreign firm to have practical knowledge of the host market with the help of their partnering firm (ibid).

4.6. ABB in Cameroon

4.6.1 Entry strategies

ABB had existed in Cameroon as ASEA since its inception in 1980. Due to the hard hit economic crisis that seriously affected the country in 1990 the company was also affected and had to shut down. After a series of negotiations and re-organizations, the company finally reopened in 1993(Njigui, 2012, interview 20th March).

According to Pierre Njigui, the ABB office in Cameroon is operated as a hub for all central African countries. The strategy was to develop products and services for the domestic market and later on transfer these knowledge and business practices to nearby countries since their practices are culturally similar. Cameroon has a central position in the CEMAC (Central African Economic and Monetary Community) region and it´s easier to access other countries in the region from the country. ABB wants to be in the forefront regionally to provide timely, efficient and economical turnaround services. This fits perfectly with the company's commitment of developing local capabilities. Pierre Njigui explained that the strategy in Cameroon is focused on selling its products through channel partners both to the local market and CEMAC region. ABB plans to use their success in this market to expand onto other attractive markets in the CEMAC region. Also, they are serving the needs of customers which are power distribution companies. They equally provide services in power generation, transmission and electrification. An example of a project that is currently executed is the Diesel Turbo Charger project. Therefore, the strategy is focused on partnering with local channel power companies through joint ventures for the sale of its products and at same time exporting these products to be sold to other CEMAC countries through 3rd party agents (Njigui, 2012, interview 20th March).

4.6.2. Challenges

Njigui explained that the main difficulties to enter into Sub-Saharan Africa have been the presence of barriers to entry. ABB´s greatest problem in Cameroon was linked to corruption and bureaucratic issues. Corruption is perceived as pervasive. This is partly explained by the fact that Cameroonians have a culture of negotiating for everything. The Transparency Perception Index ranks Cameroon 130th out 167 for 2015 investment year (TI, 2013). An example of a corruption case faced by ABB in the country could be seen in the Turbo-Charger project that was slowed down due to bribery issues. The Cameroonian authorities responsible for the supervision of this project had expected bribe from the management of ABB Cameroon which was not the case. According to Njigui´s experiences, the business environment is sufficiently characterized by bottlenecks which are reflected in the large number of procedures, long delays and high cost in the commencement and establishment of businesses. He added that business issues are not made clear. He explains that all investments face government screening but it is unclear of which process applies to which kind of investment. This makes it difficult for ABB and other multinationals to operate successfully. Njigui explained that ABB is seen as an Anglo-Saxon company while Cameroon has a cultural tradition of working with French companies despite being a bilingual country. This cultural difference makes it difficult to successfully enter into local networks like French competitors. The effect of this cultural heritage explains the fact that government mostly favours French companies in the award and execution of public contracts. Again, the socio-economic situation of the country acoording to Njigui makes it difficult for the execution of large scale projects due to lack of infrastructure and facilities to host business projects and the long term effect is the drop in the level of FDI in the country (ibid).

Finally, Cameroon has comparatively high tax rates on remittances, which directly affect the profits of Companies investing in the country. The top income tax rate stands at 35 percent and the top corporate tax is 38.5percent (35% plus an additional 10% council tax). Other taxes include a value-added tax, excise taxes, property taxes and an inheritance tax. However, in recent years overall tax revenue as a percentage of GDP was 18.2 percent (World Bank, 2012).

To conclude, firms planning to invest in Cameroon must make good contacts if they intend to successfully establish and overcome inherent barriers that exist as a result of the business environment in the country.

4.7. ABB in Ethiopia

4.7.1. Entry strategies

Prior to ABB´s establishment in Ethiopia in 1993, the company had about 30 years of indirect business through exports, serving its customers in the energy and industrial sectors respectively. The commencement of the direct existence in Ethiopia led to the establishment of ABB Pvt. Ltd. This operated until 1998 and paved the way for the formation of the international investment and equity joint venture company known as ABB Midroc Industrial Services Ltd (Ghoneim, 2012, interview March 6th).

According to Ghoneim, ABB later entered into a minority joint venture of electromechanical service and contracting activity (ABB Midroc with Midroc Ethiopia, EES then became the local representative of ABB in Ethiopia. In 2003 ABB sold the shares it used to own in ABB Midroc and EES assumed the responsibility as a full-fledged electromechanical contracting company and became the legal entity after ABB′s contractual interest in Ethiopia. Ghoneim explained that ABB´s strategy in Ethiopia was focused on acquisitions and joint ventures with local companies. After it had sold all its shares in ABB Midroc to EES, the company adopted a change in strategy. Today, it merely exports its products to Ethiopia and EES has full responsibility for the sale of products and contractual interest in Ethiopia.

4.7.2. Challenges

According to Ghoneim, the main problems faced by ABB in Ethiopia were the weak and inefficient judiciary. He explained that judges in the country lack understanding of commercial matters and scheduling of cases take longer periods. The country´s level of contract enforcement remains very weak. However, it has been widely suggested that the award of an international tribunal will be accepted and implemented by Ethiopian authorities.

Ahmed Ghoneim mentioned that corruption is the greatest barriers to enter the Ethiopian market. It is pervasive and the efficiency of government services is considered to be poor. He explained that they constantly faced problems with patronage networks and de facto preferences shown to businesses owned by government or associates of the ruling party, such as preferential access to bank credits, bribing, foreign exchange, procurement contracts, and favorable import duties. He reminds most companies planning to invest in the Ethiopian market to be aware of this aspect since they would constantly come across it.

According to Transparency International annual Corruption Perceptions Index (CPI), Ethiopia ranks 103 out of 167 countries and territories in the world (TI, 2013).Nonetheless, since the introduction of anti-corruption legislation since 2001, the corrupted government officials have been tried and convicted for accordingly. This recent measure has helped to reduce the rate of corruption in Ethiopia. All this inevitably affects the smooth and efficient functioning of businesses and an impact on the profit of companies and FDI in the country (ibid).

Another problem as explained by Ahmed Ghoneim is the shortage of economic infrastructure to carryout business. This greatly affects the expansion and diversification of the productive base. Infrastructural installations are costly and require large financial expenditure. Thus, the fact that Ethiopia is lacking in economic infrastructure such as a good transport network and building infrastructure in urban areas makes it costly for ABB.

According to Ghoneim´s experiences, Ethiopia as a country is quite uncertain. The market is perceived as highly volatile. Investors face problems with collecting, interpreting and organizing information to carryout business. In addition, the country has an unstable and uncertain political and social climate which affects the running of business. Ghoneim explained that this uncertain economic volatility, unstable or restrictive political environment are major barriers to FDI in Ethiopia.

Finally, Ghoneim mentioned that the Ethiopian government´s policies also serve as an entry barrier. Government policy changes manifested by deregulation or other institutional changes stimulate adjustments on the market scope of incumbents. According to Ghoneim´s experiences government´s policies in most SSA countries focuses on technology diffusion and its effect on the welfare of the host country. This frequent government policy changes in Ethiopia discourage foreign investors from doing business. For example, in 2010 the Government introduced a new market-oriented economic development strategy which encourages foreign investors to do business on their own or with local companies (Ahmed Ghoneim, country representative ABB Ethiopia, 2012).

Due to the business environment and socio-political nature of the country, foreign firms operating in the country adopt a change in strategy in order to cope with the situation. Ghoneim cautions foreign firms planning to invest in Ethiopia that, selecting a local firm that understands the system and industry might help to overcome some of these challenges.

4.8. Comparative analysis

H = High
V H = Very high

Figure 2: Summary of Challenges to market entry in Nigeria, Cameroon and Ethiopia.

Major Challenges	Associated concepts	Nigeria	Cameroon	Ethiopia
Political instability & Policy Uncertainty	Religious uprisings(Boko Haram insurgency), Bad governance, Weak legal and political conditions	Very high	Very high	High
Corruption & Nepotism	Bribery and corruption, Favouritism, Bureaucracy	Very high	Very high	High
Economic & Financial constrain	High taxes, Lack of market knowledge, Shortage of economic infrastructure	High	High	High
Cultural differences & familiarity	Preference for countries with colonial ties, Cultural diversity between West and SSA	Very high	High	High

Source: Author

The table above summarizes challenges to doing business in our case countries compared to the rest of the SSA region. In drafting this table, the author paid particular attention to the second research question which focuses on the main challenges that power generation firms from developed markets faced in SSA. The code and categories in this table have been derived from the text. This table has been coded manually following the results obtained from findings. The table is made up of three categories; the first category is the superordinate categories which has been grouped into four themes and represent the major challenges. The second consist of eleven subordinate categories referred to as associated concepts. These associated categories are used to provide a meaning to the main themes. The third category is made up of three representative countries in SSA. This table employs a magnitude coding system whereby the severity or intensity of a superordinate category is either measured by “High or Very high” score.

The superordinate category consists of four themes which are made up of challenges to enter SSA market. The second class is made up of eleven subordinate categories which represent associated concepts. The relationship between both lies in the fact that, the subordinate category provides a meaning or definition to the superordinate category.

The last subcategory is made up of three representative countries in SSA for which the measurements in the findings are made. These three representative countries are compared to the rest of the SSA region.

In ascribing scores for these variables, the author took into consideration the severity or intensity of the subordinate categories in the three representative countries following answers from respondents and later made a comparison with the rest of the SSA region based on findings from secondary sources like The World Bank´s Ease of Doing Business Index, IMF, Transparency International, and The Economist Intelligence Unit´s Doing Business Index.

The measurements are done on a nominal scale following the author´s judgement from the findings. The decision to rate a country as a “high versus very high” is based on the severity or intensity of a superordinate category in the representative case countries compared to the rest of the SSA region. A high score would mean that the challenge is existent just as in other SSA countries. While very high score in a country means that, the challenge is higher in that country compared to other countries in the region

Addressing the issue of Political instability and policy uncertainty, Nigeria and Cameroon are ranked as very high in our index meaning there is high level of instability in these countries. In Nigeria, Boko Haram has unleashed a massive wave of violence, fear, and chaos which is affecting the wellbeing of the country. The northern part of Cameroon has witnessed the growing presence of Boko Haram which poses important threats to security and political stability in the country. Ethiopia scores high on this index meaning that the challenge is existent but that the country has relative level of stability compared to other countries within the region like DRC and Somalia that are struck by conflicts.

Corruption and nepotism remain one of the greatest challenges to enter SSA despite democratic changes (Transparency International), which explains one of the reasons why firms fear to invest in the region. Nigeria and Cameroon are ranked as very high on this index meaning that the level of corruption is higher in these countries than in other SSA countries with little corruption and larger levels of transparency like Mauritius and Botswana. In 2014, Nigeria and Cameroon occupied the 136th position among 175 countries in Transparency International Corruption Perception Index compared to less corrupt and more transparent countries like Mauritius and Botswana that occupied the 54th and 63th positions respectively. While Ethiopia scored high on our ranking meaning that corruption is existent in the country but not at a higher level like in other SSA country like Angola. Ethiopia and Angola are both ranked 111th and 161th respectively on the Transparency International Corruption Perception Index.

Economic and financial constraints are high in all our case countries. This challenge involves the downturn in economic activities such as inflation and high unemployment and the fluctuation of exchange rates. A regional comparison with other SSA countries suggests that the level of economic and financial constrains is a predominant challenge in SSA.

Cultural differences and familiarity is another challenge that was found in our case countries. Nigeria is ranked as very high in our index. This comes as a result of the high level of diversity in the region. Nigeria has persistently witnessed differences between Christians and Muslims which has often lead to strife. In the northern part of the country, some perceive religion to be more important than country affiliations. On the other hand, Cameroon and Ethiopia are ranked high in our index meaning that even though the challenge exist in both countries, they have a low level of diversity compared to other countries in the region. However, SSA countries in general lack a sense of urgency in the efficiency of business which is partly caused by the highly diverse geo-political nature of the region.

4.9. Summary

In this section, an overview of the electric industry in SSA has been presented. We saw that SSA has energy resources that are more than sufficient to meet the needs of its businesses, but that they are largely under-developed and under-electrified. Therefore, increasing access to modern forms of energy is important to unlocking faster economic and social development. We introduced the case of ABB within the larger framework of the electric industry in SSA to give an understanding into some of the reasons that pushed ABB to enter SSA. From the findings from ABB, we saw that ABB entered into our case countries to direct their products and services to the customers in these countries and to respond to unsolicited orders from these governments. Before 1990, the electric industry in most SSA countries was centrally planned and controlled by governments in these countries. During this period, the industry suffered a lot of setbacks and was highly reliant on hydropower which in most cases witnessed frequent power cuts. In the 1990s, most SSA governments saw the need to reform and expand the electric industry. Since they could not do this on their own, they needed companies with necessary technology to provide these services and at the same time provide them with renewable sources of energy. Most privately owned electricity companies in SSA are still very small and lack the necessary technology to undertake such projects. This gives us an understanding as to why ABB expanded into SSA.

Looking at the choice of entry mode, we saw that firms usually faced the problem of entering a market with full control and ownership or entering with less or no control. However, the institutional complexities or business environment in SSA push firms to choose an entry mode that would suit these conditions. Looking at ABB in SSA, we saw that during the early stages of its entry process, it entered through joint ventures in most cases having majority shares. The institutional setups in SSA influence advanced market firms to pursue equity investments, due to protectionist policies instituted by most SSA governments towards local companies and they use this as a mechanism to transfer organizational knowledge from these advanced market firms. First, government policies in developing countries, put pressure on multinational companies to use equity joint ventures instead of wholly owned subsidiaries. However, the external environments in SSA make it complex and difficult for foreign firms to establish and manage a joint venture. Also, ABB used joint ventures in SSA to gain access to markets. In our case countries, we saw that ABB entered into joint ventures with local partners that were responsible for the sale of their products. Finally, ABB used joint ventures in SSA for strategic reasons. In our case countries we noticed that ABB wanted to enhance their competitive position in these markets. Therefore, their goal was to maximize profits through developing the venture's competitive position than minimize costs.

In the later stages of development in SSA, ABB switched from joint ventures to wholly-owned subsidiaries. ABB´s competitive advantage is based on technological competence and in order to protect and reduce the risk of losing control over that competence it uses wholly-owned subsidiaries after establishing in that market. Nevertheless, we concluded by mentioning that ABB does not distinguish between majority joint ventures or wholly-owned subsidiaries under its control. Moreover, we saw that all decisions in ABB are central and are made from the headquarters. But in some cases personnel's working on a project can make decisions if they conform and are economically motivated. In addition, we explained the main motive for ABB to enter SSA, was due to the fact that ABB saw the need to direct its products and services to its customers in SSA.

Furthermore, we looked at some of the prominent challenges that foreign firms faced in our case countries. Some of the common challenges that we saw in our case countries are: political instability, corruption, cultural differences, lack of market knowledge, weak infrastructure, bureaucracy and weak legal conditions.

Finally, we ended the chapter with an analysis of challenges in our case countries compared with the SSA region. We saw that all challenges present in our case countries are existent in the SSA region, even though some challenges manifesting our case countries than in other SSA countries.

5. Analysis and conclusion

The two principal questions that this thesis set to address are: how a power generation firm from a developed market entered SSA until now and what challenges this power generation firm faced in SSA as a MNC. In this section the author analyzed the data collected in relation to the literature review. To achieve this, the author focused on answering the research questions. The interviews have given us an understanding into the real life of doing business in the SSA market.

5.1. Motives for entering foreign markets

In the literature review the author indicated that expansion and market entry strategies are motivated by the potential of profit making (Czinkota and Ronkainen, 2007; Perkins, 1997; Root, 1994). These studies explained that companies are motivated to enter foreign markets as a result of economic motives. It is clear that companies want to make profits in order to stay competitive. The empirical data also explains that firms are motivated to enter foreign markets with the goal of making future earnings such as profit and growth; and potential customers. According to Hollensen (1998) when a company enters several new markets economies of scale is perceived due to increase in production and reduction in productions costs. Production costs reduce since the company is able to spread them across other units when production has increased. Due to this the company increases its competitiveness and gains more market shares. However, the motive of a firm to enter a foreign market is mostly explained by the short term goals of the company and which is aim at achieving the long term goal of increased profit. Thomson et al. (2005) mention four main reasons as to why companies go abroad: 1) gain access customers in order to realize the potential of increased revenues, profits and long-term growth; 2) achieve lower costs and enhance the firm′s competitiveness; 3) capitalize on its core-competencies; 4) spread its risk across a wider market base.

The theoretical section indicated that firms motives for going abroad is either motivated for resource seeking or market seeking investments. Resource seeking investment firms move abroad in order to acquire cheap resources and input supply such as natural resources, labour force, technical and managerial skills, which are important factors for realizing customer satisfaction in the host market. Still, market seeking firms follow customers abroad in order to sustain business contracts (Dunning, 2009:16). All respondents stated that SSA has huge potentials coupled with vast land area and we saw ABB entered SSA to improve on the regions power and energy sector and to benefit from the huge market size and volume. Therefore, ABB´s reason for entering SSA was motivated by resource and market seeking investment purposes.

Again, firms´ decisions to enter foreign markets are motivated by political behavior. Researchers point out that firms are highly dependent on government regulation or contracts for economic survival (Boddewyn, 1988; Baron, 1995; Hillman and Keim, 1995).The empirical data showed that the electric power industry in most SSA countries is still under government control. Therefore, firms willing to invest in this sector tend to be more politically active when government significantly affects their business.

Also, firms enter foreign markets due to stagnation in home markets and therefore expand into foreign markets to pursue opportunities (Czinkota and Ronkainen, 2007; Root, 1994; Young et al., 1989). Couturier and Sola (2010) emphasized that companies wish to acquire resources that are more efficient than those that can be obtained in the home market of the firm such as; labour and natural resources. In the empirical data, the author explained that ABB entered into foreign markets as a means to expand beyond home markets. Therefore, ABB enters into foreign markets as a means to secure future earnings which cannot be achieve by relying solely on current markets. Hence, ABB enters foreign markets in order to find new customers in order to satisfy the company goals.

In the theoretical section it is stated that firms are motivated to enter foreign markets in order to benefit from first-mover advantages (Ghemawat, 1984; Gilbert and Newberry, 1982; Spence, 1981). The empirical data explained that ABB would enter a foreign market if there is need for their services or knowledge. ABB normally makes a prospection plan on a specific market to actually see if that market would be beneficial to the company in terms of revenue. However, the empirical data does not explain if ABB actually searches for gaps to fill. But ABB could carry out a project in a foreign market if the need arises that necessitates its knowledge or there is need to fill a gap that could generate profits for the company. This means that ABB is interested in profit making but this does not mean that ABB are searching and exploring for opportunities and gaps on foreign markets.

Furthermore, firms enter foreign markets as a means to secure and increase brand awareness and reputation of the company which is connected with the long term profit motives as to why firms enter foreign markets (Root, 1994; Young et al., 1989). In the empirical data explained that ABB already has a good reputation and brand name and does not enter into foreign markets to secure that. One respondent however perceives that more brand awareness could lead to larger projects and a greater customer portfolio for the company.

The literature review stated that motives for entering into foreign market could be divided into different reasons. It can be motivated by the need to grow internally, get more brand awareness and reputation, attract new customers or filling resource gaps, and satisfy investors. All motives are short term goals which need to be achieved in order to realize the long term motive which essentially lies in monetary profit a firm can obtain from a foreign market.

5.2 Entry modes

In the literature review indicated that the choice of entry mode of a firm is best determined by its expansion strategy. Firms seeking to enter foreign markets must make strategic decisions on which entry mode to use for that market. Entry modes require resource commitments at varying levels, therefore firms´ initial choices of a particular mode are difficult to change without loss of time and money (Root, 1994). Normative decision theory suggests that entry mode choice in a foreign market should be based on a balance between risks and returns. It explains that firms are expected to choose an entry mode that offers high risk return on investment. The rationale for the development of this framework is summarized by the eclectic paradigm (Dunning and Lundan, 2008:580) However, behavioral evidence on the other hand suggests that a firm´s choice may be determined by resource availability and the need for control (Williamson, 1981: 548; Anderson and Gatignon, 1986).

According to Root (1994) a firm can enter a foreign market either by exporting its product into the foreign market or by transferring its resources like technical know-how, its brand name, capital, and technology into a foreign market which can be sold to customers or combined with resources in the host country to manufacture products for that market. Still, Pan and Tse, (2000: 538) stated in the hierarchical model of market entry modes that firms normally enter into foreign markets through an equity or non-equity mode. The choice of which modes to follow is often a compromise of four aspects such as; control, return, risk and resources.

Other scholars suggests that firms with lower levels of ownership advantages are expected to either not enter foreign markets or use a low-risk entry mode such as exporting. Exporting and licensing are low investment, low risk/return alternative modes which provides firms with operational control but lacks the marketing control for market seeking firms. Joint ventures and wholly owned subsidiary, on the other hand, are high investment, high risk/return alternative modes that provides a high degree of control to investing firms. With joint ventures the level of risk, return and control is limited to the equity participation of the investing firm.

The empirical investigation showed that ABB entered Nigeria and Cameroon through a joint venture. The interviews revealed that equity joint ventures are suitable entry modes into the power industry in underdeveloped countries including SSA. The power industry in most of these countries is still much under government control and regulation. Therefore, an equity joint venture provides the investing firm with limited risk, more control and return. In addition, equity joint venture enables investing firms with technological competence to protect their technical know-how and modify their investments such that their assets are less profitable to host governments in case they are expropriated. Consequently, the author notes that larger firms with higher multinational experience are more likely to choose a higher investment, high risk/return alternative mode.

In the case of ABB Nigeria, the author explained the benefits it has enjoyed from the joint venture with local partners. ABB benefits from those projects in the sense that ABB and its partners, state owned corporations in joint ventures share benefits in projects and this makes it possible for the Nigerian and Cameroonian governments through state owned corporations to control and supervise the power industry which in these countries is still under the control of both governments.

In the interview with country mangers in Nigeria and Cameroon, they explained that the joint venture strategy is very important and in some cases serves as a pre-condition for any MNCs to enter these markets. They equally stated that governments in both countries are major customers to ABB and the joint venture with these local partners helps to bridge the gap with host governments. Still, joint ventures allow both partners to share costs and risks, as well as harmonizing assets and skills.

Moreover, a joint venture with a local player with greater marketing competences can assist a foreign company to fully establish its market position, brand image, and organizational image in an emerging market. This equally helps a foreign firm to increase its profits, reduce uncertainty and improve on its competitiveness in the host country (Root, 1994). From the early 1970′s to the 90′s, ABB focused on building, maintaining and developing distribution networks in SSA. The role of joint ventures was critical to the establishment of these networks and most local players in joint ventures with ABB are top ranked companies in the power and electrification industry. Therefore, by sharing technical know-how with these companies, ABB establishes strong relationship with local suppliers and customers as well as a strong market position and brand image.

The empirical data indicates a different entry history for Ethiopia. Prior to ABB′s establishment in the country it had 30 years of indirect business operations serving its customers in the energy and industrial sectors. Hence, the interaction between ABB and Ethiopia moved from an export strategy to a representative office. Today, ABB Ethiopia is administered through a representative office that is responsible for the sale of ABB products and the execution of projects with the help of their local partner EES Pvt Ltd. This strategy could be compared with the internationalization theory as indicated in the theoretical section which stated that firms´ internationalization consists of four stages: 1) firms do not have regular exports, 2) firms export through agents, 3) firms sell through subsidiaries, and 4) firms begin overseas production (Johanson and Vahlne, 1977; Welch and Luostarinen, 1999:84).

Furthermore, ABB Nigeria and Cameroon, as indicated in the empirical data around, the 2000's changed to highest commitment in these markets and became Wholly-owned companies. The reason to establish a Wholly-owned company in these markets is the potential of large-scale market. According to the 2013 ABB SSA report, Nigeria has a high potential for energy consumption, a strong purchasing power and economic growth. Cameroon on its part has a central position in the CEMAC region and is operated as a hub for all central African countries. Thus, operating a wholly owned subsidiary from Cameroon makes it easier to control the other subsidiaries in the CEMAC region. Establishing a wholly owned subsidiary gives a company a 100 percent ownership in profits made in a foreign market (Hill, 2011).

Still, when a firm's competitive advantage is based on technological competence, higher investment, higher risk/return alternative modes is a preferable entry mode since it reduces the risk of losing control over core competences (Hill, 2011). In the case of ABB, its core competences are based on technology and its fundamental role is to continue as a leading technological leader in its industries. The country manager for Nigeria emphasized that it is important for ABB to secure and protect its technology. He argued that a wholly owned subsidiary can help ABB to make profits without sharing it with local players.

5.3 Challenges in SSA

The author focused on four major challenges discussed in the literature review (political instability and uncertainty, corruption and nepotism, economic and financial limitations, and cultural differences).

5.3.1. Political instability and policy uncertainty

It is obvious that security hazards in SSA countries arise from communal conflicts, religious clashes, ethnicity, dictatorship, poor governance, and abysmal poverty which often lead to political instability and insecurity in the region (Authers, 2006). Political instability reduces the predictability of government policies for firms. Hence, making it difficult for companies to commit aggressive plans for investments. According to Bloom et al. (2008), firms become cautious and hold back in the face of uncertainty. They argued that uncertainty brought by political factors leads firms to choose lower levels of investment expenditures. Alesina and Perotti (1996) support this idea by stating that political instability and violence are correlated with cross-country differences in investment rates. Some examples could be seen in Nigeria on the abduction and extraction of ransoms from multinational petroleum companies by insurgent groups in the Niger Delta region.

Presently, there is the Boko Haram insurgency which has brought insecurity to the country and parts have been under a state of emergency, thereby disrupting businesses. The Political instability in Nigeria has given the country a bad image among foreign investors and this image scares advanced market firms and other MNCs from investing. The country manager for ABB Nigeria stated that as much as there are numerous business opportunities for ABB, the unstable nature of the country perpetrated through these religious riots has caused a lot of fear and skepticism amongst foreign investors in the country.

In the theoretical section, Patillo (1998) argued that foreign investors already have a negative impact about investing in SSA. The country manager for Nigeria pointed out that political challenges and policy uncertainty has constantly affected the investment climate. This is because the execution of some projects comes to a standstill during these conflicts. Further evidence from Alesina and Perotti (1996) indicated that political instability is an important factor in sustaining substantial levels of foreign investments.

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The author explained that firms work with host country's policies when they are available, but the challenge comes when these policies are frequently changed by government. However, there should be stability in these policies, since this change interrupts a firm's original strategy. An example could be seen from Ethiopia, where their government in 2010 introduced a new market oriented economic development strategy which encourages foreign investors to do business on their own or with local companies. Harris and Pratap (2009) argued that countries with institutional constrains and frequent change in policy affects the execution of projects. Such cancellations are higher in SSA due to poor communication and weak coordination.

Furthermore, Spalding (2010) argued that effective policies and legislations should be enforced in SSA. The findings from the three case study countries pointed out the challenging procedures and lengthy periods it takes to successfully register and establish a business. Our respondent in Cameroon explained that starting a business in Cameroon is characterised by lengthy procedures and high cost. In Ethiopia, we saw that the absence of an independent and fair judiciary has made it difficult for the implementation of business laws in the country.

Other challenges such as lack of transparency, local partners, lack of economic infrastructure, often arise as a result host country's poor infrastructure and company's lack of ability to carry out market research.

5.3.2. Corruption and nepotism

Corruption has been seen as the greatest challenge to enter SSA. Most government officials render business transactions and procedures complex and bureaucratic. In all three countries, corruption was seen as major challenge to do business. Transparency International and other studies confirmed that corruption robs the continent of approximately US $150 billion a year (Mulinge and Gwen, 2002). The findings equally indicated that it is difficult to do business in SSA due to corruption since it has been extended to the corporate level. More so, government agencies that have been set up to fight corruption sometimes participate in corrupt practices thereby rendering governments' actions useless. More evidence from Igbanugo and Gwenigale (2011) argued that corruption weakens governments´ checks and balances, thereby rendering political institutions weak. However, some firms have derived means to cope with corruption in SSA by maneuver while others are highly hit. ABB tend to avoid corruption as part of their CSR practice which in most cases hampers them in public procurements. Meanwhile, MNCs that are able to maneuver become more competitive. Still, ABB tries to prove their CSR practice and deter corruption by introducing programs to discourage corruption. Spalding (2010) explained that political agencies should focus on aspects to discourage bribery in EMs. Nkamnebe (2010) suggested that firms should maintain their CSR in a way to retain sustainability in the host country and should not look at CSR only as a means of enforcing government policy.

5.3.3. Economic and financial constrains

Most countries in SSA are affected by comparatively high tax rates which affects the profits of MNCs in these markets. In the literature review section, the author indictaed that high taxation and unfavourable tax policies negatively affects new entrants firms (Djankov et al., 2010:35). One respondent explained that the top income tax rate in Cameroon stands at 35 percent and the top corporate tax is 38.5percent (35% plus an additional 10% council tax). Other taxes include a value-added tax, excise taxes, property taxes and an inheritance tax. However, in recent years overall tax revenue in Cameroon as a percentage of GDP was 18.2 percent. Also, governments´ taxation policies discourage foreign investors as this makes it difficult for firms to recover operation cost. Dabla and Inchauste (2007) suggested that countries should avoid high taxation and an unfavourable tax policy as this negatively affects new firms.

Furthermore, the respondent in Ethiopia argued that the country lacks the capacity to handle big businesses. This limitation in the business environment affects the economic and productive base of these countries. Moreover, the unstable financial situation in SSA due to lack of capital availability, funds to finance infrastructure, limited access to financial markets, low income background of citizens are some of the financial constrains that negatively affects firms in the region (Kahn, 2005:20; Irving and Manroth, 2009: 3; World Bank, 2013: 4). In addition, the lack of market knowledge and weak infrastructure are other constrains affecting firms in SSA (IAB, 2005:7; World Bank, 2013). One respondent stated that firms investing in the region faced difficulties with access to market information and they go there and learn by doing. Most often firms have to use their personal relationships to access such information. Still, bad road conditions and lack of infrastructure to handle businesses are other factors affecting firms in the region.

5.3.4. Cultural differences

Hofstede (2001) argued that culture is more often a source of conflict than of synergy. In one out of the three countries in the investigation, cultural difference was seen to be a challenge for firms investing in SSA. The findings indicated that cultural heritage of Cameroon partly affected the government choice in the award and execution of public contracts, and that the difference in norms and customs between the West and SSA countries may serve as a challenge to firms investing in these countries. This cultural diversity between both regions makes the running of business operations to be complex and difficult (Usunier and Lee, 2005). The literature review indicated that an integrative approach of work cultures of both host and foreign firm could help to minimize differences in a foreign market (Dijk et al., 2012:5). Therefore, advanced market firms investing in SSA must spend time to understand the local norms and traditions of the local people. However, any advanced market firm that understands this cultural diversity in SSA could turn this challenge into an opportunity.

5.4. Summary of challenges in theory and findings

Figure 3: Summary of challenges in theory and for ABB

Challenges	Challenges found in theory	Challenges for ABB	Overcoming challenges in SSA
Political instability and Policy uncertainty	-Religious uprisings (Authers, 2006) -Bad governance(Harris and Pratap,2009:2) - Coup d'état (Bloom et.al, 2008) -Weak legal and political conditions(World bank, 2013:4)	-Religious uprisings(Boko Haram insurgency) -Bad governance -Weak legal and political conditions	-Governments need to be more open and transparent -Need for the effective policies and legislation
Corruption and Nepotism	-Bribery and corruption (Ti, 2013) -Favouritism (Igbanugo and Gwenigale, 2011: 12) -Unpredictability(Spalding, 2010) -Bureaucracy(Luo,2002:113)	-Bribery and corruption -Favouritism -Bureaucracy	-Political institutions should focus on instruments to deter corruption -Bring to awareness anti-bribery and corruption conventions -MNCs should maintain CSR and not only look at it as a means of complying to government policies
Economic and Financial constrains	-High taxes(Dabla and Inchauste, 2007:3) -Lack of market knowledge (IAB,2005:7) -Limited capital availability (IMF,2011:5) -Low income of citizens (World bank,2013:4)	-High taxes -Lack of market knowledge -Shortage of economic infrastructure	-Reducing corporate taxes -Extensive research before entry
Cultural differences	-Differences in norms and values(Usunier and lee, 2005:23) -Miscommunication and disagreements (CIL,2013)	-Preference for countries with colonial ties - Cultural diversity between West and SSA	-Corporate transparency and open door policies -Integrative approaches through the use of ESG(Environmental, social and governance) research

Source: Author's compilation

The table above summarizes the challenges of doing business in emerging markets of SSA as discussed in theory compared to the challenges presented to the author in the interview in the case countries. The essence of this table is to find out if the challenges obtained from the interview are supported by theory or if they differ. Analyzing the table, the author concludes that there´s not much gap between the challenges in theory and those obtained from ABB as seen from the table.

In addition, the author provides an extra column to this table, which serves as a summary to the measures that could be used to overcome the challenges in SSA.

5.5. Summary

Three of the entry modes that were pointed out in the literature review were used by ABB to enter SSA. In Nigeria and Cameroon, during the preparatory and entry stages they used joint ventures due to lack of market knowledge and the need to overcome market challenges and during the development phase ABB switched to Wholly-owned subsidiary in order to secure its technological competence and secure its position as a leading technological leader in the power and automation market in SSA. Meanwhile, in Ethiopia ABB started from indirect export and later established a representative office.

Secondly, looking at challenges in SSA, the author pointed out four major challenges that had been derived from the literature review and all these challenges were present in the three markets. These challenges include; political stability and uncertainty, corruption and nepotism, financial constraints, and cultural differences were all present in these markets. Corruption was seen as the common and persistent challenge that existed in all three markets.

6. Conclusion

In this section the conclusions regarding the entry mode choice and challenges in SSA, will be presented. The chapter ends with implications for management and to theory.

6.1 How should power generation firms from Developed Markets enter Sub-Saharan Africa?

This thesis is aim at improving our understanding of the entry mode choices of developed market firms in emerging markets of SSA.

This thesis found that power generation firms from developed markets used four entry mode choices when they entered SSA. These modes consist of a representative office, export, joint venture and wholly-owned subsidiary.

At the early stage, due to immature FDI policies and lack of market knowledge, ABB used a representative office and exports from the initial stages.

Also, these firms can enter SSA through joint ventures. With the joint venture entry mode, these firms can overcome challenges in SSA markets. Also, most joint venture partners have strong ties with governments in SSA countries with strong positions in these markets. Therefore, since governments in SSA countries support local partners financially and policy wise, these privileges can be enjoyed by the developed firm and the partner. Moreover, with joint ventures developed frim are able to build strong ties with local partners who can help them to bridge the gap with government, which could also serve as a means to build strong networks with customers and local partners. In addition, a joint venture entry mode can help a power generation firm benefit from lower cost, market position and organizational image.

Finally, a power generation firm could enter through a Wholly-owned subsidiary. This entry mode enables the firm to have full control without losing over its core competences.

6.1.2 How have firms from developed markets entered SSA?

First, concerning the foreign market entry strategies used by an advanced market firm to enter SSA markets. The institutional voids in SSA consist of factors that affect the growth of advanced market firms resources and capabilities. As the author discussed in the theoretical section and our investigation, institutions have an effect on companies' decision to pursue equity modes. The electric power industry in most SSA countries is favoured by governments through protectionist policies. According to ABB, joint venture is the ideal entry mode strategy as it helps foreign firms to easily overcome institutional complexities inherent in the market. More so, our case company indicated that as foreign firms partner with local companies, suppliers and contractors, they benefit from local knowledge of the host market which is difficult to get own their own. Therefore, following our case study, we realized that our case company entered two markets (Nigeria and Cameroon) through joint ventures. The management of ABB explained that through joint ventures they were able to overcome institutional voids that exist in these markets and that their local partners help them in understanding the market, tariff and legal systems of the case countries which to them entails a lot of money and time.

Furthermore, in the 2000´s ABB in Nigeria and Cameroon switched from joint ventures to wholly owned subsidiaries as a means of securing their technological competences and maintain their leadership in power and automation technologies in these markets. The management however informed the author that, it is difficult to distinguish the way ABB manages its joint ventures from its wholly-owned subsidiaries.

Again, in the third country Ethiopia, our case company moved from an export strategy to a representative office. The management of ABB indicated that this move was motivated by the ability to have a more permanent and stable customer base in the host country.

Following our case study, the author explained that the management of ABB is satisfied with their establishment in these markets. Their main recommendation is to improve on the competence level of local workers since most lack working experience.

6.2 What challenges have developed market firms' faced in SSA?

The second question dealt with the challenges faced by ABB in our case countries. This section elaborates on challenges in our case countries.

First, ABB indicated to the author that corruption is a major challenge in SSA. In all three countries that our case entered, they encountered problems with corruption ranging from bribery to favouritism in the award of contracts to local companies with strong ties with government. Most countries in SSA occupy a low rank in the World Bank's Doing Business records and Transparency International Corruption perception index. Therefore, companies wishing to invest in SSA must understand that, setting up a business in SSA takes a longer time and they should be aware of instances of bribing. Corruption in SSA is almost considered as a cultural norm, as it has become part of the peoples working habit.

Secondly, political instability and uncertainty is another challenge faced by ABB in our case countries. In Nigeria and Cameroon, we saw that religious riots and sects like Boko Haram through their extremists actions have led to high levels of insecurity and losses in businesses in the Oil and energy sectors to which ABB has heavily invested in. ABB faced problems of uncertainty in Nigeria and Ethiopia. The frequent change in policies in these countries has left several projects uncompleted.

Again, ABB acknowledged that the legal environment also serves as a challenge in SSA. In all our three case countries, this served as a big challenge. In these countries, there are no clear rules that apply to all companies. For example, licenses and permissions are needed to operate in this markets, but it is time consuming and difficult to obtain these documents due to the level of bureaucracy in these countries. It is difficult to understand the laws in place since they are different both in nature and their applicability. In some cases laws are applied to disfavour foreign companies operating in these markets.

Finally, cultural difference is another challenge that ABB faced in our case countries. In all case countries, there existed differences in the working cultures between our case company and the hosts case countries. ABB indicated to the author that these differences were minimized through training of local employees on western work ethics as a means of upgrading their competence level. In addition, ABB complained of other challenges in SSA such as; lack of market knowledge and weak infrastructure such as poor roads and lack of infrastructure to handle big projects.

6.3. Implications

6.3.1. Implications for Management

First, the entering of ABB into emerging markets of Sub-Saharan Africa could be viewed as a reference for other advanced market MNCs investing in the same industry. The analysis of data from ABB can be summarized by mentioning that the company has been successful in most of its international ventures. The success of ABB has been attributed to several factors such as past experience, choice of a good strategy, planning, and availability of resources for investment. As the author explained in previous chapters, the business environment is partly regulated by governments in these countries. This means that MNCs planning to invest in this region must be able to create a good working relationship with governments in order to be successful. Moreover, building local relationships with suppliers, customers, contractors and distributors is also important for MNCs investing in this region. In addition, knowledge about the market and the macroeconomic condition of the region are important aspects that companies must consider when they plan to enter Sub-Saharan African markets. Market knowledge helps MNCs to understand the changing economic conditions and enable them to pursue opportunities in that market.

6.3.2 Implications of Research to theory

There appears to be a gap in literature with regards to firms entering SSA. Most studies in the past focused on the internationalization of firms into Western developed economies and big emerging markets like India, China, Brazil and South Africa. Hence, most theories on the internationalization of firms emerged from studies of firms entering developed economies. Meanwhile, in recent years, there has been a shift from the usual traditional outward FDI flows from mature markets towards an increased outward flow from emerging markets like Asia and Eastern Europe to developed economies and SSA countries. In spite of this emergence, research and literature has not been extended to the entry strategy of firms into SSA. Therefore, there´s a gap in academic literature in the entry strategy of advanced market firms into SSA. Therefore, by carrying out this research, the author helps to contribute to the limited number of studies carried out on the entry mode choices of firms in SSA.

The purpose of this study was to gain a deeper understanding of the entry mode strategies used when advanced market firms plan to enter SSA markets. Our case company ABB is well established in Cameroon, Nigeria and Ethiopia and therefore the experience might be similar since these countries are all SSA countries. This thesis has been exploratory since the author has gained a deeper understanding of the area of study in which the author had limited knowledge about.

The theoretical contribution of this study is based on empirical studies of the investigated case study of ABB, and can serve as a base for future research. Since most SSA countries are presently undergoing major changes in their legal, political and economic environments, these markets are very interesting to study. However, since these changes are taking place in a swift manner and research therefore has to be done on time in order to guide companies that plan to enter these markets.

6.4. Recommendations

First, the entry strategy of ABB in SSA could be considered as a reference for MNCs operating in the power industry whose major customer is governments in most of these countries. In terms of entry modes, it would be recommendable for a firm to divide the entry into stages. This can be done by starting with a less risky entry mode and later on switching to a higher commitment entry mode during the development stages. Foreign firms investing in the electric power industry must create good relations with governments in SSA countries since they serve as major customers and in some cases regulate the functioning of this industry.

Secondly, there is perceived risk in investing in Sub-Saharan Africa. However, this research has shown that the market opportunities are great and that it is worth taking the risk.

Moreover, firms should conduct extensive market research well ahead of time before they enter a market. This can help the firm to detect some of the challenges in that market in advance.

Finally, since this thesis is a qualitative study, readers are cautioned not to generalize the results. However, this study is open for continuation and future research. It could also help to understand the business environment in SSA and the strategy of advanced market firms.

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Interviews

Stefan Kullander- Regional sales manager ABB Africa- Face-to-face: 2016.05.17

Adedayo Olowoniyi- Country manager ABB Nigeria- by telephone: 2012.04.30

Pierre Njigui- Country manager ABB Cameroon-by telephone: 2012.03.20

Ahmed Ghoneim- Country representative ABB Ethiopia- by telephone:2012.03.06

Interview Guide:

1) What is your name?
2) What is your function in the organization?
3) What is your level of experience?
4) How are decisions made in ABB?
5) Are you familiar with your operations in SSA: Nigeria, Cameroon and Ethiopia?
6) How long have you been operating in these markets?
7) What is the main motive for ABB to enter into SSA market?
8) What is the entry strategy of ABB in SSA markets?
9) What are the main challenges of ABB in SSA markets?
10) What would you suggest or recommend to companies wishing to invest in emerging markets of Africa?

Interview Transcript

1) What is your name?

My name is Stefan Kullander

2) What is your function in the organization?

I work as regional sales manager of ABB for Africa

3) What is your level of experience?

I have been working with ABB Africa for the past twenty-eight years.

4) How are decisions made in ABB?

ABB follows its organizational matrix in terms of decision making. Decisions are made from the central offices in Sweden, Switzerland and Germany. However, a decision can also be made at the regional or country level, in so far as it is in the best interest of the company.

5) Are you familiar with your operations in SSA: Nigeria, Cameroon and Ethiopia?

Yes, with my level of experience in the African market, I should be familiar with operations in these countries. We do treat all markets differently, ABB does not have a fix form or standard method of treating its markets. ABB does feasibility studies of the market they plan to invest in. We sit down with all parties and tell them that, this is what we have and on the other hand we look at the countries market size and market volume. At the level of the country we actually look at the skill and competence level. We have to follow all these steps at each country level.

6) How long have you been operating in these markets?

ABB has a long history of operation in these markets. Before its establishments in the 1970s and 80s, ABB had previous operations in these markets with its former partners.

7) What is the main motive for ABB to enter into SSA market?

The SSA market has big potentials for ABB to sell its products and services. The region has many unexploited projects like the building of hydro projects and electrification which are still under consideration. Thus, SSA region has a good market size and volume for ABB's products and services. ABB entered SSA markets as a result of the fact that is where the growth is. ABB is focusing on markets with high growth. The stock market does not accept 3 percent growth in a market. The share prices will fall immediately, so consequently ABB needs to find markets with high potential growth rates. It is extremely difficult to let growth figures, because with the financial crisis it is extremely difficult to determine where the money is coming from to support this growth figures. So ABB searches for purposeful growth in SSA markets.

8) What is the entry strategy of ABB in SSA markets?

ABB starts with 3rd party agents. An example of such markets is Ethiopia and Congo where ABB entered through 3rd party agents. ABB is not competing in such markets to enter under their own bound, possibly for security reasons especially in Ethiopia. But it is very much depended, but ABB always has a long term commission when they enter a market. ABB uses a regional/country organizational structure as its strategy. The size and volume of a market are important factors that ABB takes into consideration when making a decision on a market. To enter a country you need to state the potentials, you need to be able to discover the potentials, internal, the society's infrastructure if you like. How the government is reacting, we on our part are going to be committed with building roads, hospitals, and power networks. In fact we are going to utilize the countries resources to improve on their infrastructure. If they can get all the financial capability, then they can build that for themselves. There is no need to borrow us money because we are never going to repay. This is what we actually call the potentials. If all this is present as mentioned then we actually say that there is a green signal to enter that country. We actually going to the ground. We are using fact books, consultancy firms. But you can't really rely on these organizations, you have to be there. Most at times we do collect the information ourselves because we know what we are looking for. The political system in most emerging markets is involved in the electricity sector and you need to understand how that works, because this doesn't depend on market forces.

Financing is the pre-requisite for ABB to get investments in emerging markets. In SSA, ABB is financing oil and mineral depots and in return is getting contracts in these countries.

ABB does not enter a market to make few years, which is the reason why ABB probably takes a longer period to enter these markets. When it comes to business plans, it is completely different because it takes about ten years for ABB to get a contract. After getting a contract it takes about 3-5 years to actually manufacture, supply, store, commission and it has a warranty of course. It takes about 15-20years. So customers need to know that the one I am buying for is going to be around in 2 years' time. It's no use to go to the small shop around the corner that will tell you we can do it much cheaper than anyone else.

The type of entry strategy depends on what you are selling. An example is Tetra Pak. In Ethiopia, Tetra Pak invested on local transportation, they meet farmers and tell them they are interested in buying milk from them. These farmers produce this milk and make them available at their dairy for transportation and Tetra Pak equally invests in the diary. They have actually been successful with this strategy. But ABB cannot adopt this kind of project. ABB needs specific projects. ABB is involved in rural electrification which needs a lot of money. It's not something you can start with like that; you need the other entire infrastructure first and that cost you a lot to build a power plants. Then you need transmission lines to be enable you provide electricity to the public. As I said, we cannot really utilize that kind of strategy. Even though, we are a global company, we try as much as possible to be local. ABB doesn't expand from one country to another. For example, we have a company in Cameroon that is in charge of the whole central Africa. We are doing this because they have some commonalities like the language. All these countries do speak French. We are not sought of jumping from one country to another, when contracts come up the headquarters in Dubai has the responsibility to decide about that. But again we kind of focus on business hubs as in the case above.

9) What are the main challenges of ABB in SSA markets?

Political and commercial risks are the two biggest challenges faced by ABB in SSA markets. To invest in Africa, it is a little bit risky. As I said, most African countries are faced with political instability. Because there is no need to actually carry out a project for about 20years and when 2 years when you are finishing the project everything gets blown off. See for example, Ethiopia geographically it is located beside Sudan which is a country with constant uprisings. We were almost finished with a project in Congo, but we were tricked at the beginning about the competence level. It might not be a bad trick; it might be that their definition of highly qualified might be different from ours. This posed us a lot of problems in the course of this project. To suggest or recommend to any company wishing to invest in Africa, I will tell them to very careful. I am not happy to say this but I think that, most of these countries which they say they are developing; they are actually developing towards the wrong direction. Thus, most investors will say that we need to feel save otherwise we can't put our money there. In addition, the legal system in emerging markets is generally weak. Socio-political, historical and cultural factors makes it difficult to actually enact and implement the laws in place. Bribery and corruption is also high in most SSA markets which is risk for everyone. Most companies will not like to invest in countries with high corruption. Furthermore, most SSA market countries lack the institutional systems to support business development. The education system, health systems, which is why ABB is getting agents to focus on the infrastructure because it will be more relevant to do that. We are trying to get local companies to get into contracts like that to build them up.

10) What would you suggest or recommend to companies wishing to
invest in emerging markets of Africa?
Companies wishing to invest in SSA markets especially in the power sector must build strong ties with governments in these countries, since companies investing in this industry in most SSA countries are partly owned by governments. Local governments in most SSA countries on their part should developed more schemes to train local people, since the competence level of local personnel's is low. Look at the Chinese for example; if they have to build a hospital in SSA they will ship 20 Chinese to carry out this project. Then what becomes of the local people then.

Interview Guide: Country manager Nigeria

1) What is your name?
   My name is Adedayo Olowoniyi.
2) What is your function in the organization?
   I work as country manager for ABB Nigeria.
3) What is your level of experience?
   I have been working as country manager for close to 2 years now.
4) When and how did ABB enter Nigeria?

ABB formally entered Nigeria in 1992. However, ASEA was already in existence in Nigeria since 1977 and was responsible for the sale of electrical products, transformers and hydro generators.

ABB entered Nigeria by partnering with key local players that were already investing in the electric and power industry. In most cases, ABB owned majority shares in most of its ventures. The Nigerian government prohibits foreign investors from owning 100 percent shares in the electric and power industry. Thus, foreign companies investing in this sector must be able to partnership with local players in the course of operating their business. The government sees this as a means to build up the competences and capabilities of this local companies based on the countries policy. When ABB entered Nigeria she decided to focus on production management and outsource the sale and marketing of its products to these local companies. Some of the local companies in Nigeria that had partnership with ABB were: Mikano International Ltd, Bolamark Engineering Ltd, Foltechs Ventures Ltd, Con Engeering Ltd, and Unistockists Ltd for the sale and technical support of all low voltage products. While Inlaks Power Solution Ltd and Mikano International Ltd were responsible for the sale of medium voltage products.

5) What is ABB's strategy in Nigeria?

ABB's strategy in Nigeria is centered on the following: First, ABB is using a rewired initiative strategy by investing on people and technology. ABB constantly provides training to its engineers and technicians in order to improve on their competences and capabilities and to enable them cope with new technologies in the power sector. In addition, ABB is applying new technologies that would enable Nigeria expand its energy infrastructure and have access to renewable power generation, smart grids, and micro grids as a means to reduce the current power deficit suffered by the country.

Secondly, ABB is partnering with local companies to identify and leverage marketing networks for the sale of their products. The Nigerian government prohibits 100 percent ownership in the Power sector, thus ABB uses localized strategies and networks to overcome this regulatory barriers.

Again, ABB has adjusted its product portfolio to meet with the local market needs. ABB has superior products compared to its competitors however we are ensuring that these products are less costly for our customers.

Finally, ABB is using operational excellence as one of its strategy. This is aimed at ensuring that we satisfy the needs of our customers, empower our personnel through trainings and at same time implement our business model. We try as much as possible to stay within the ABB guidelines and directives as specified by the ABB 2011-2015 group objectives.

6) How are decisions made in ABB Nigeria?

All decisions in ABB are made at the level of the head office. We at the country level are only responsible for the implementation of decisions made at the central office. However, certain decisions could be made at the country level in so far as it is in the best interest of the company.

7) What are the main challenges of ABB in Nigeria?

ABB is faced with problems of corruption in Nigeria. The government agency that regulates the award of contracts is not transferring in its operations. Since the process and award system is not transparent, some local companies tend to bribe in order to be awarded contracts to the detriment of foreign companies like ABB. Secondly, the legal and political system in Nigeria is very weak and complex. There is high abuse of power and the rule of law, which seriously affects democracy and governance in the country. The country is constantly faced by political instability and religious conflicts which leads to frequent short down of business. Certain parts of the country are insecured; an example is the area around the northern parts of Nigeria which is frequently attacked by insurgency groups such as Boko Harram.

8) What would you recommend to companies wishing to invest in Nigeria? Nigeria has huge reserves of energy, oil and gas that are currently underexploited. This could serve as a lucrative business for foreign companies wishing to invest in those sectors. Despite this strengths, the macro economic situation is not conducive for doing business. The country has lengthy procedures for the award of a contract. It can take up to 36 months from the initiation to the award of a contract. Also, government agencies are quiet unreliable to meet its funding obligations under joint venture projects. However, the country possesses challenges which are insignificant over returns on investment

Interview Guide: Country manager Cameroon

1) What is your name?

   My name is Pierre Njigui

2) What is your function in the organization?

   I work as country managers for Cameroon and Gambia

3) What is your level of experience?

   I have served as country manager for close to 16 years.

4) When and how did ABB enter Cameroon?

   ABB was already in existence around 1980 under the name ASEA. Cameroon was seriously affected by the economic crisis in the late 80s which forced the company to shut down it downs. However, in 1993 a series of re-organizations and restructuring was done and the company re-opened its doors.

5) What is ABB's strategy in Cameroon?

   ABB's strategy in Cameroon is focused on creating the market as a business hub for the CEMAC region. Cameroon has a central position in the region and could be used to penetrate other countries in the region. Since our inception in the country, we have recorded huge sales in terms of products and services; therefore we intend to use this success story and knowledge acquired to enter other CEMAC countries.

6) How are decisions made in ABB Cameroon?

   At the moment we are responsible for the sale of ABB products and services. We at the regional offices are responsible for the bidding of contracts and its execution if it's in the best interest of the company. However, the manager emphasized that concerning major decisions they seek approval and authorization from our head office. What are the main challenges of ABB in Cameroon?

   Corruption and bribery is seriously affecting the countries business environment. In most cases services that are meant to be free have to be negotiated upon. Sometimes huge sums of money are required to get access to these services. This intrinsically affects the manner in which foreign countries have to run their business. A good example could be seen in the Turbo-diesel project that we had to execute. The granting of this project to ABB was unnecessarily delayed since the ABB office in Cameroon had refused to comply with a bribing request from the authorities in charge of its supervision.

Also, the country is faced with bureaucratic issues. It takes long delays, lengthy procedures, and high cost for the operation of business in the country. The authorities in charge of implementing business laws in place sometimes get confused of which law to apply in certain circumstances. Thus, the absence of a regulatory system in place affects the way business is conducted as well.

Furthermore, the countries cultural heritage has an impact on the way business is conducted in the country. The country has preference for French companies over other foreign companies. This seriously affects the bidding and tender process in the award of contracts.

Finally, Cameroon has high tax rates on foreign firms which have an effect on their profits made by these firms.

7) What would you recommend to companies wishing to invest in Cameroon?

Cameroon is relatively political stable in the CEMAC region and has a relatively huge potentials and opportunities for foreign companies. With the lack of specialized intermediaries to inform foreign firms about the market, any foreign firm that invest time and resources on market research could tap resources from the market.

Interview Guide: Country representative Ethiopia

1) What is your name?

My name is Ahmed Ghoneim

2) What is your function in the organization?

I work as Sales and Marketing engineer for ABB Ethiopia

3) What is your level of experience?

I have been working as sales and marketing engineer for 3years.

4) When and how did ABB enter Ethiopia?

ABB has been operating in Ethiopia since 1993. Prior to this date, ABB was operating in this market through indirect imports over a 30 years period. ABB's existence came as a result of the establishment of ABB Pvt. Ltd which operated until 1998 when a joint venture was formed between ABB Pvt. Ltd and ABB Midroc. In 2003, ABB observed a changed in strategy in Ethiopia and sold all its shares to EES (Electrical Engineering Systems). Today, EES and EWC (Electric World Company) are ABB agents in Ethiopia and are responsible for the sale of its low voltage products in the Ethiopian market.

5) What is ABB's strategy in Ethiopia?

ABB strategy in Ethiopia is focused on expanding its market share in the country with the support of its main partners ESS and EWC. ABB has no office in Ethiopia today, all sales and services related to ABB in Ethiopia are carried out by its partners or agents.

6) How are decisions made in ABB Cameroon?

We don't make any decisions in this market. Our agents are responsible for all sales related to our low voltage products.

7) What are the main challenges of ABB in Ethiopia?

We have no operations in Ethiopia at all since our partners are responsible for the sale our products. However, I could provide you with some of the challenges based on when we operated in the market. First, there's lack of a regulatory system in the country and the judicial system lacks a proper functioning system which makes it difficult for the enforcement of business laws in place. Secondly, corruption is a common practice that affects the business environment as well. For example, companies with strong ties with government are favoured in the award of contracts and bank credits. Also, the country lacks economic infrastructures, such as good transport system and buildings in urban cities to handle large projects makes it costly for foreign companies to do business in the country. Finally, the Ethiopian government has a high interventionist policy, through high interference which affects the private sector and discourages foreign investors.

8) What would you recommend to companies wishing to invest in Ethiopia?

During the last years, the Ethiopian government has engaged in economic reforms and liberalization policies which has improved on their transport system, increased electricity production and made the country much more attractive for foreign investment.